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CHAPTER 16

Sanctions, Export Controls, and Certain Other Restrictions

This chapter discusses selected developments during 2014 relating to sanctions, export controls, and certain other restrictions relating to travel or U.S. government assistance. It does not cover developments in many of the United States' longstanding financial sanctions regimes, which are discussed in detail at www.treasury.gov/resource-center/sanctions/Pages/default.aspx. It also does not cover comprehensively developments relating to the export control programs administered by the Commerce Department or the defense trade control programs administered by the State Department. Detailed information on the Commerce Department's activities relating to export controls is provided in the U.S. Department of Commerce, Bureau of Industry and Security's Annual Report to the Congress for Fiscal Year 2014, available at <http://www.bis.doc.gov/index.php/about-bis/newsroom/publications>. Details on the State Department's defense trade control programs are available at www.pmdtdc.state.gov.

A. IMPOSITION, IMPLEMENTATION, AND MODIFICATION OF SANCTIONS

1. Iran

a. Implementation of the Joint Plan of Action ("JPOA")

In 2014, negotiations with Iran continued pursuant to the Joint Plan of Action ("JPOA"). See *Digest 2013* at 468-71. For further discussion of the U.S. approach to Iran's nuclear program in 2014, see Chapter 19.B.5(b).

As discussed in Chapter 19, once it could be confirmed that Iran was taking steps to halt its nuclear program, the United States committed to implement specific, temporary, and limited sanctions relief. On January 13, 2014, the parties reached an understanding on the specific steps that would be taken, which were summarized by a

U.S. government official in a background briefing, available at www.state.gov/r/pa/prs/ps/2014/01/219571.htm, as follows:

Once the IAEA has confirmed Iran is implementing its commitments, in return the P5+1 has committed to do the following on the first day of implementation: suspend the implementation of sanctions on Iran's petrochemical exports and Iran's imports of goods and services for its automotive manufacturing sector; suspend sanctions on Iran's import and export of gold and other precious metals with significant limitations that prevent Iran from using its restricted assets overseas to pay for these purchases; begin to process expeditiously license applications for the supply of spare parts and services, including inspection services for the safety of flight of Iran's civil aviation sector; pause efforts to reduce Iran's exports of crude oil to the six countries still purchasing from Iran; facilitate the establishment of a financial channel intended to support humanitarian trade to Iran, including the supply of medical services; and to facilitate payments for UN obligations and tuition payments for Iranian students studying abroad; and modify the thresholds for EU internal procedures for the authorization of permitted financial transactions.

The P5+1 has also committed to take certain actions to facilitate Iran's access to \$4.2 billion in restricted Iranian funds on a set schedule at regular intervals throughout the six-month period of the Joint Plan of Action. Access to a portion of these funds will be linked to Iran's progress in completing the dilution process for 20 percent enriched uranium. Iran will not have access to the final installment of the 4.2 billion until the last day of the six-month period.

On January 20, 2014, the International Atomic Energy Agency ("IAEA") confirmed that Iran was implementing its specific commitments under the JPOA, including ceasing to enrich uranium above 5 percent, disabling cascades used to enrich up to 20 percent, and beginning to dilute and convert its 20 percent stockpile. Accordingly, the United States took immediate steps to roll back sanctions. The steps taken on January 20, 2014 were explained in a briefing by U.S. government officials, available at www.state.gov/r/pa/prs/ps/2014/01/220058.htm, and excerpted below.

* * * *

As of today, the Administration has suspended for six months secondary sanctions on foreign persons engaged in transactions related to Iran's petrochemical exports, certain trade in gold and precious metals with Iran, and the provision of goods and services to Iran's automotive sector. For the six months, we will also hold steady efforts to reduce Iran's exports of crude oil to the six jurisdictions that still purchase oil from Iran. I would note that Iran is currently exporting around 60 percent less than it was just two years ago, and it will be held to those reduced levels.

The Administration will also license transactions for spare parts, inspections, and associated services necessary for the safety of flight of Iranian passenger aircraft. In order to qualify for a lease under any of these categories, the transactions must be initiated and completed during the JPOA period—in other words, commencing no earlier than today and concluding no later than July 20th.

In addition, we will be taking action to allow Iran to access, in installments, \$4.2 billion of its restricted funds on a set schedule across the six months. Access to a portion of these funds will be linked to Iran's progress in completing its dilution of 20 percent enriched uranium. Iran will not have access to the last installment until the final day of the six-month period. We are also working with our partners in Iran to establish carefully constrained financial channels to enable Iran to make payments for humanitarian transactions, university tuition assistance for Iranian students abroad, and Iran's UN obligations.

All of these suspensions are contingent upon Iran's continuing adherence to the steps outlined in the JPOA and in the detailed associated technical understanding. If it is determined that Iran has failed to meet its commitments, the United States Government will revoke this limited release.

All told, if Iran adheres to its commitments at the end of six months, it will have been able to access \$4.2 billion of its restricted reserves and perhaps brought in another \$2 billion in trade. This is a drop in the bucket compared to the crippling pressure that Iran still faces. Over this six-month period, oil sanctions alone will cost Iran \$30 billion. And at the end of the period, we expect that over \$100 billion of Iran's foreign reserves will continue to be restrained. Indeed, at the close of the six-month period, we forecast that Iran will be in a net-negative position due to the substantial costs borne by ongoing sanctions.

Finally, just to emphasize a few top-line sanctions points, as noted, this temporary relief will not fix the Iranian economy. It will not come close. Iran needs ... \$60 to \$70 billion a year to finance its foreign imports. ... \$6 to \$7 billion will not fill that hole. Inflation in Iran remains near 40 percent, one of the highest inflation rates in the world, and its economy, which contracted 6 percent in the last Persian year, is expected to contract again this year.

Second, as the President has made clear, we will continue to vigorously enforce the vast array of sanctions that are not being suspended, so sanctions that reach Iran's energy, banking, and trade sectors, along with its access to the international financial system. And we will continue to target Iran's support for terrorism and human rights abuses.

Finally, we are actively reaching out to international counterparts to remind them of their obligations under the existing sanctions regime. Iran is not and will not be open for business until it reaches a comprehensive agreement with the international community that addresses all outstanding concerns. ...

* * * *

The U.S Department of State outlined in a Federal Register notice the actions taken, effective January 20, 2014, to implement the sanctions relief aspects of the JPOA. 79 Fed. Reg. 4522 (Jan. 28, 2014). Excerpts follow from that notice (with footnotes omitted).

* * * *

On November 24, 2013, the P5+1 (China, France, Germany, Russia, the United States, and the United Kingdom, coordinated by EU High Representative Catherine Ashton) reached an initial understanding with Iran, outlined in a Joint Plan of Action (JPOA), that halts progress on Iran's nuclear program and rolls it back in key respects. The JPOA includes the first meaningful limits Iran has accepted on its nuclear program in close to a decade. In return for important steps to constrain Iran's nuclear program, the P5+1 committed to provide Iran with limited, temporary, and targeted sanctions relief for a period of six months, starting on January 20, 2014, and concluding on July 20, 2014 (the "JPOA period").

The sanctions relief specified in the JPOA focuses on a limited number of commercial activities and associated services for: Iran's exports of petrochemical products; Iran's purchase and sale of gold and precious metals; the provision of goods and services to Iran's automotive sector; and the licensing of safety-of-flight inspections and repairs for Iranian civil aviation. The sanctions relief also pauses efforts to further reduce Iran's crude oil exports, enabling the current importers of Iranian crude oil—China, Japan, South Korea, India, Turkey, and Taiwan—to maintain purchases at current average levels during the JPOA period. (The purchase of Iranian crude oil by entities in jurisdictions outside of China, Japan, South Korea, India, Turkey, and Taiwan remains sanctionable under U.S. law.) Iran will also gain access, in installments, to \$4.2 billion of its restricted revenues now held in overseas accounts. Finally, Iran and the P5+1 have committed to establish a financial channel to facilitate Iran's import of certain humanitarian goods, the payment of medical expenses incurred by Iranians overseas, payments of Iran's UN obligations, and up to \$400 million toward university tuition for Iranian students studying abroad.

To implement this limited sanctions relief, the U.S. government has executed temporary, partial waivers of certain statutory sanctions and has issued guidance regarding the suspension of sanctions under relevant Executive Orders and regulations. Because some of the waivers have a duration less than the six-month period of the JPOA, the USG plans to take such additional actions as may be necessary to extend this limited sanctions relief to July 20, 2014.

All U.S. sanctions not explicitly waived or suspended through these actions remain fully in force. Furthermore, U.S. persons and foreign entities owned or controlled by U.S. persons ("U.S.-owned or -controlled foreign entities") continue to be generally prohibited from conducting transactions with Iran, including any transactions of the types permitted pursuant to the JPOA, unless licensed to do so by OFAC. The U.S. government will continue to enforce U.S. sanctions laws and regulations against those who engage in sanctionable activities that are not covered by the suspensions and temporary waivers announced on January 20, 2014.

Acting under the authorities vested in me as Secretary of State, including through the applicable delegations of authority, I hereby make the following determinations and certifications:

Pursuant to Sections 1244(i), 1245 (g), 1246(e), and 1247(f) of the Iran Freedom and Counter-Proliferation Act of 2012 (subtitle D of title XII of Public Law 112-239, 22 U.S.C. 8801 et seq.) (IFCA), I determine that it is vital to the national security of the United States to waive the imposition of sanctions pursuant to:

1. Section 1244(c)(1) of IFCA to the extent required for:

a. Transactions by non-U.S. persons for the export from Iran of petrochemical products, and for associated services, excluding any transactions involving persons on the list of specially designated nationals and blocked persons of the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury (hereinafter the SDN List) except for the

following companies: Bandar Imam Petrochemical Company; Bou Ali Sina Petrochemical Company; Ghaed Bassir Petrochemical Products Company; Iran Petrochemical Commercial Company; Jam Petrochemical Company; Marjan Petrochemical Company; Mobin Petrochemical Company; National Petrochemical Company; Nouri Petrochemical Company; Pars Petrochemical Company; Sadaf Petrochemical Assaluyeh Company; Shahid Tondgooyan Petrochemical Company; Shazand Petrochemical Company; and Tabriz Petrochemical Company;

b. Transactions by U.S. or non-U.S. persons for the supply and installation of spare parts necessary for the safety of flight for Iranian civil aviation, for safety-related inspections and repairs in Iran, and for associated services, provided that OFAC has issued any required licenses, excluding any transactions involving persons on the SDN List except for Iran Air;

c. Transactions by non-U.S. persons to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, and for insurance and transportation services associated with such transactions, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013, excluding any transactions or associated services involving persons on the SDN List except for the National Iranian Oil Company and the National Iranian Tanker Company;

d. Transactions by non-U.S. persons for the sale, supply or transfer to or from Iran of precious metals, provided that such transactions are within the scope of the waiver of Sections 1245(a)(1)(A) and 1245(c) of IFCA (section 3 below), and for associated services, excluding any transactions involving persons on the SDN List except for any political subdivision, agency, or instrumentality of the Government of Iran listed solely pursuant to E.O. 13599;

2. Section 1244(d) of IFCA to the extent required for the sale, supply or transfer of goods or services by non-U.S. persons in connection with transactions by non-U.S. persons to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, and for insurance and transportation services associated with such transactions, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013, excluding any transactions or associated services involving persons on the SDN List except for the National Iranian Oil Company and the National Iranian Tanker Company;

3. Sections 1245(a)(1)(A) and 1245(c) of IFCA to the extent required for transactions by non-U.S. persons for the sale, supply, or transfer to or from Iran of precious metals, provided that:

a. Such transactions do not involve persons on the SDN List, except for any political subdivision, agency, or instrumentality of the Government of Iran listed solely pursuant to E.O. 13599 or any Iranian depository institution listed solely pursuant to E.O. 13599; and

b. This waiver shall not apply to transactions for the sale, supply, or transfer to Iran of precious metals involving funds credited to an account located outside Iran pursuant to Section 1245(d)(4)(D)(ii)(II) of the National Defense Authorization Act for Fiscal Year 2012;

4. Section 1246(a) of IFCA to the extent required for the provision of underwriting services or insurance or reinsurance:

a. By non-U.S. persons for the export from Iran of petrochemical products and for associated services, excluding any transactions involving persons on the SDN List except for the following companies: Bandar Imam Petrochemical Company; Bou Ali Sina Petrochemical Company; Ghaed Bassir Petrochemical Products; Iran Petrochemical Commercial Company;

Jam Petrochemical Company; Marjan Petrochemical Company; Mobin Petrochemical Company; National Petrochemical Company; Nouri Petrochemical Company; Pars Petrochemical Company; Sadaf Petrochemical Assaluyeh Company; Shahid Tondgooyan Petrochemical Company; Shazand Petrochemical Company; and Tabriz Petrochemical Company;

b. By U.S. persons or non-U.S. persons for the supply and installation of spare parts necessary for the safety of flight for Iranian civil aviation, for safety-related inspections and repairs in Iran, and for associated services, provided that OFAC has issued any required licenses, excluding any transactions involving persons on the SDN List except for Iran Air;

c. By non-U.S. persons for transactions to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, and for insurance and transportation services associated with such transactions, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013, excluding any transactions or associated services involving persons on the SDN List except for the National Iranian Oil Company and the National Iranian Tanker Company; and

d. By non-U.S. persons for the sale, supply or transfer to or from Iran of precious metals, provided that such transactions are within the scope of the waiver of Sections 1245(a)(1)(A) and 1245(c) of IFCA, and for associated services, excluding any transactions involving persons on the SDN List except for any political subdivision, agency, or instrumentality of the Government of Iran listed solely pursuant to E.O. 13599;

e. By non-U.S. persons for the sale, supply or transfer to Iran of goods and services used in connection with the automotive sector of Iran and for associated services, excluding any transactions involving persons on the SDN List.

5. Section 1247(a) of IFCA to the extent required for transactions by foreign financial institutions on behalf of:

a. Bandar Imam Petrochemical Company; Bou Ali Sina Petrochemical Company; Ghaed Bassir Petrochemical Products; Iran Petrochemical Commercial Company; Jam Petrochemical Company; Marjan Petrochemical Company; Mobin Petrochemical Company; National Petrochemical Company; Nouri Petrochemical Company; Pars Petrochemical Company; Shahid Tondgooyan Petrochemical Company; Sadaf Petrochemical Assaluyeh Company; Shahid Tondgooyan Petrochemical Company; Shazand Petrochemical Company; and Tabriz Petrochemical Company for the export from Iran of petrochemicals;

b. Iran Air for the supply and installation of spare parts necessary for the safety of flight by Iran Air and for safety-related inspections and repairs for Iran Air, provided that OFAC has issued any required licenses;

c. The National Iranian Oil Company and the National Iranian Tanker Company for transactions by non-U.S. persons to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013, excluding any transactions or associated services involving any other persons on the SDN List; and

d. Any political subdivision, agency, or instrumentality of the Government of Iran listed solely pursuant to E.O. 13599 for the sale, supply or transfer to or from Iran of precious metals, provided that such transactions are within the scope of the waiver of Sections 1245(a)(1)(A) and 1245(c) of IFCA.

Pursuant to section 1245(d)(5) of the National Defense Authorization Act for Fiscal Year 2012, I determine that it is in the national security interest of the United States to waive the imposition of sanctions under Section 1245(d)(1) with respect to:

(1) Foreign financial institutions under the primary jurisdiction of China, India, Japan, the Republic of Korea, the authorities on Taiwan, and Turkey, subject to the following conditions:

a. This waiver shall apply to a financial transaction only for trade in goods and services between Iran and the country with primary jurisdiction over the foreign financial institution involved in the financial transaction (but shall not apply to any transaction for the sale, supply, or transfer to Iran of precious metals involving funds credited to an account described in paragraph (b));

b. Any funds owed to Iran as a result of such trade shall be credited to an account located in the country with primary jurisdiction over the foreign financial institution involved in the financial transaction; and

c. With the exception that certain foreign financial institutions notified directly in writing by the U.S. Government may engage in financial transactions with the Central Bank of Iran in connection with the repatriation of revenues and the establishment of a financial channel, to the extent specifically provided for in the Joint Plan of Action of November 24, 2013; and

(2) Foreign financial institutions under the primary jurisdiction of Switzerland that are notified directly in writing by the U.S. Government, to the extent necessary for such foreign financial institutions to engage in financial transactions with the Central Bank of Iran in connection with the repatriation of revenues and the establishment of a financial channel as specifically provided for in the Joint Plan of Action of November 24, 2013.

Pursuant to Section 302(e) of the Iran Threat Reduction and Syria Human Rights Act of 2012 (Public Law 112-158) (TRA), I determine that it would cause damage to the national security of the United States to identify or designate a foreign person under section 302(a) of TRA in connection with transactions by non-U.S. persons with the National Iranian Oil Company to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, and for insurance and transportation services associated with such transactions, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013.

Pursuant to Section 4(c)(1)(A) of the Iran Sanctions Act of 1996 (Pub. L. 104-172, 50 U.S.C. 1701 note) (ISA), I certify that it is vital to the national security interests of the United States to waive the application of section 5(a)(7) of ISA to the National Iranian Oil Company and the National Iranian Tanker Company to the extent required for insurance and transportation services provided on or after the date of transmittal of this certification to the appropriate congressional committees and associated with transactions to which sanctions would not apply if an exception under section 1244(g)(2) of IFCA were applied to China, India, Japan, the Republic of Korea, Taiwan, and Turkey, provided that such transactions are consistent with the purchase amounts provided for in the Joint Plan of Action of November 24, 2013.

These waivers shall take effect upon their transmittal to Congress, unless otherwise provided in the relevant provision of law.

(Signed John F. Kerry, Secretary of State)

* * * *

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") also published guidance in the Federal Register that was issued jointly by the Departments of the Treasury and State on January 20, 2014 relating to the sanctions relief provided pursuant to the JPOA. 79 Fed. Reg. 5025 (Jan. 30, 2014). Excerpts follow from OFAC's published guidance.

* * * *

I. Sanctions Related to Iran's Export of Petrochemical Products

The JPOA provides for the temporary suspension of U.S. sanctions on "Iran's petrochemical exports, as well as sanctions on any associated services." To implement this provision of the JPOA, the USG will take the following steps to allow for the export of petrochemical products from Iran, as well as associated services, by non-U.S. persons not otherwise subject to section 560.215 of the Iranian Transactions and Sanctions Regulations, 31 CFR part 560 (ITSR), (hereinafter "non-U.S. persons not otherwise subject to the ITSR"):

1. Correspondent or Payable-Through Account Sanctions: ...
2. Blocking Sanctions: ...
3. Menu-based Sanctions: ...

* * * *

II. Sanctions Related to Iran's Auto Industry

The JPOA provides for the temporary suspension of U.S. sanctions on "Iran's auto industry, as well as sanctions on associated services." To implement this provision, the USG will take the following steps to allow for the sale, supply, or transfer to Iran of significant goods or services used in connection with the automotive sector of Iran, as well as the provision of associated services by non-U.S. persons not otherwise subject to the ITSR:

1. Correspondent or Payable-through Account Sanctions: ...
2. Menu-based Sanctions: ...

* * * *

III. Sanctions Related to Gold and Other Precious Metals

The JPOA provides for the temporary suspension of U.S. sanctions on "gold and precious metals, as well as sanctions on associated services." To implement this provision of the JPOA, the USG will take the following steps to allow for the sale of gold and other precious metals to or from Iran, as well as the provision of associated services, by non-U.S. persons not otherwise subject to the ITSR:

1. Correspondent or Payable-through Account Sanctions: ...
2. Blocking Sanctions: ...

* * * *

IV. Sanctions Related to Civil Aviation

The JPOA provides for the temporary licensing of “the supply and installation in Iran of spare parts for safety of flight for Iranian civil aviation and associated services. License safety related inspections and repairs in Iran as well as associated services.” To implement this provision, the USG will take the following steps:

1. Statement of Licensing Policy: OFAC will issue a new Statement of Licensing Policy (SLP) that covers certain activities related to the safety of Iran’s civil aviation industry. The SLP will establish, during the JPOA Period, a favorable licensing policy regime under which U.S. persons, U.S.-owned or -controlled foreign entities, and non-U.S. persons involved in the export of U.S.-origin goods can request specific authorization from OFAC to engage in transactions that are initiated and completed entirely within the JPOA Period to ensure the safe operation of Iranian commercial passenger aircraft, including transactions involving Iran Air.

2. Correspondent or Payable-through Account Sanctions: ...

3. Blocking Sanctions: ...

* * * *

V. Sanctions Related to Iran’s Export of Crude Oil

The JPOA provides for certain sanctions relief related to Iran’s crude oil sales. ... To implement this provision of the JPOA, the USG will take the following steps to allow for China, India, Japan, the Republic of Korea, Taiwan, and Turkey to maintain their current average level of imports from Iran during the JPOA Period and to render non-sanctionable a limited number of transactions for the release in installments of an agreed amount of revenue to Iran for receipt at participating foreign financial institutions in selected jurisdictions:

1. Correspondent or Payable-through Account Sanctions: ...

2. Blocking Sanctions: ...

3. Menu-based Sanctions: ...

* * * *

VI. Facilitation of Humanitarian and Certain Other Transactions

The JPOA provides for the establishment of “a financial channel to facilitate humanitarian trade for Iran’s domestic needs using Iranian oil revenues held abroad. Humanitarian trade [is] defined as transactions involving food and agricultural products, medicine, medical devices, and medical expenses incurred abroad. This channel could also enable transactions required to pay Iran’s UN obligations ... and direct tuition payments to universities and colleges for Iranian students studying abroad.” In furtherance of the JPOA, the P5 + 1 and Iran are establishing mechanisms to further facilitate the purchase of, and payment for, the export of food, agricultural commodities, medicine, and medical devices to Iran, as well as to facilitate Iran’s payments of UN obligations, Iran’s payments for medical expenses incurred abroad by Iranian citizens, and Iran’s payments of an agreed amount of governmental tuition assistance for Iranian students studying abroad. Foreign financial institutions whose involvement in hosting these new mechanisms is sought by Iran will be contacted directly by the U.S. Department of the Treasury and provided specific guidance.

Please note that the new mechanism for humanitarian trade transactions is not the exclusive way to finance or facilitate the sale of food, agricultural commodities, medicine, and medical devices to Iran by non-U.S. persons not otherwise subject to the ITSR, which is not

generally sanctionable so long as the transaction does not involve persons designated in connection with Iran's support for international terrorism or Iran's proliferation of weapons of mass destruction (WMD) or WMD delivery systems. Therefore, transactions for the export of food, agricultural commodities, medicine, and medical devices to Iran generally may be processed pursuant to pre-existing exceptions and are not required to be processed through the new mechanism.

In addition, please see Section VII below, which describes the exercise of certain waiver authorities relevant to the activities and transactions described in this section.

VII. Waivers

To enable the implementation of the sanctions relief outlined in the JPOA and described in detail in sections I through VI of this guidance, the USG has issued limited waivers of sanctions under: section 1245(d)(1) of the National Defense Authorization Act for Fiscal Year 2012 (NDAA) in connection with exports of crude oil from Iran to China, India, Japan, the Republic of Korea, Taiwan, and Turkey and for transactions related to the release in installments of an agreed amount of revenues to Iran for receipt at participating foreign financial institutions in selected jurisdictions and the establishment of the financial channel provided for in the JPOA; section 302(a) of the TRA with respect to certain transactions involving NIOC; section 5(A)(7) of ISA with respect to certain transactions involving NIOC and NITC; and the following sub-sections of IFCA:

* * * *

On July 19, 2014, the JPOA was extended to allow negotiations of a final solution regarding Iran's nuclear program to continue. This necessitated extending temporary sanctions relief measures as well. The Department of State published a notice in the Federal Register outlining these sanctions relief measures. 79 Fed. Reg. 45,228 (Aug. 4, 2014). The sanctions relief includes the waivers exercised previously. See 79 Fed. Reg. 4522 (Jan. 28, 2014), excerpted *supra*.

The JPOA was renewed again by mutual consent of the P5+1 and Iran on November 24, 2014, extending the temporary sanctions relief provided under the JPOA to allow negotiations to continue into 2015, with expiration of the JPOA set at June 30, 2015. OFAC issued new guidance on the temporary sanctions relief on November 25, 2014. 79 Fed. Reg. 73,141 (Dec. 9, 2014).

b. Implementation of UN Security Council resolutions

The UN Security Council has adopted four resolutions under Article 41 of Chapter VII of the UN Charter imposing sanctions targeting Iran's nuclear and ballistic missile programs: Resolution 1929 (2010), Resolution 1803 (2008), Resolution 1747 (2007), and Resolution 1737 (2006). U.N. Docs. S/RES/1929, S/RES/1803, S/RES/1747, and S/RES/1737. See *Digest 2010* at 632-45, *Digest 2008* at 969-75, *Digest 2007* at 1031-36, and *Digest 2006* at 1280-84 for discussions of the Security Council's Iran resolutions. In Resolution 1929 (2010), the Council established, for an initial period of one year, a Panel of Experts to assist the Committee in carrying out its mandate. The Panel's mandate has been renewed yearly, most recently in Resolution 2159 (2014) on June 9, 2014.

In 2014, the United States continued to demonstrate strong support for full implementation of the Security Council resolutions on Iran through statements at the Security Council and actions taken to implement the resolutions. On March 20, 2014, U.S. Deputy Permanent Representative to the UN Rosemary DiCarlo addressed the Security Council at a briefing on Iran and Resolution 1737. Ambassador DiCarlo's remarks are excerpted below and also available in full at <http://usun.state.gov/briefing/statements/223868.htm>.

* * * *

Today I'd like to touch on three [subjects]. The first relates to the ongoing P5+1 talks. Second, to troubling signs of sanctions violations. And the third, to the important roles of the Committee and the Panel of Experts—which is set to begin work on its next report, the details of which will be essential.

On the nuclear talks with Iran, the Security Council has a clear stake in the outcome. The Council has imposed four rounds of sanctions in response to Iran's failure to adhere to its nuclear obligations.

Any deal with Iran must address squarely the Security Council's multiple resolutions on this matter, a key principle of the Joint Plan of Action.

It is critical that all Member States continue to fully implement sanctions on Iran. Full implementation of sanctions will support the diplomacy, as well as limit Iran's illicit smuggling of arms, funds and technology.

In this regard, we find the recent indications of serious violations of the UN sanctions troubling. Earlier this month, Israel announced that it had stopped a massive shipment of rockets, mortars and ammunition that Iran was smuggling to Gaza militants. We call on the Committee, with the support of the Panel, to investigate all aspects of this incident. The Committee should also be prepared to impose real consequences, such as possible sanctions designations, on those responsible.

At the same time, reports that Iran sought to transfer arms to Iraq in violation of Security Council resolution [1747] are alarming.

We note that the Iraqi authorities have committed publicly to respect fully all relevant Security Council resolutions—which is welcome. In this connection, we encourage the Committee and the Panel, in cooperation with the Iraqi authorities, to investigate these reports and confirm full compliance with resolution [1747].

This leads me to my last point, about the important role of the Committee and the Panel. As a rule, if and when violations like this occur, the Security Council's Iran Sanctions Committee has a responsibility to tighten enforcement. We look to the Committee to step up efforts to help states implement the sanctions—and to be poised to respond to all reports of sanctions non-compliance.

In addition, it is essential that the Panel continue its aggressive travel schedule and continue to raise awareness about sanctions. In this context, as the Panel begins work to draft its next annual report, we encourage the Panel to present as much information as possible regarding sanctions compliance.

We commend the Panel for its independent reporting and urge it to continue its cooperation with Member States and the Committee. The Committee needs to know the names of violators and their methods. We also encourage the Panel to ensure that its report has specific, implementable recommendations that can tangibly improve sanctions implementation. The Panel's recent recommendations, which were specific in nature, enabled the Committee to engage in productive discussions on how best to move forward.

* * * *

c. U.S. sanctions and other controls

In 2014, President Obama again continued the national emergency under IEEPA with respect to Iran (79 Fed. Reg. 68,091 (Nov. 13, 2014)), thereby maintaining the existing sanctions program. The United States also implemented additional sanctions intended to pressure Iran to comply with its international obligations. Additional sanctions specific to Iran are described below. Further information on Iran sanctions is available at www.state.gov/e/eb/tfs/spi/iran/index.htm and www.treasury.gov/resource-center/sanctions/Programs/Pages/iran.aspx.

(1) E.O. 13608

For background on E.O. 13608, "Prohibiting Certain Transactions With and Suspending Entry Into the United States of Foreign Sanctions Evaders With Respect to Iran and Syria," see *Digest 2012* at 497-98. OFAC designated three individuals and eight entities pursuant to E.O. 13608, effective February 6, 2014. 79 Fed. Reg. 53,104 (Sep. 5, 2014). The persons designated are: Houshang FARSOUDEH, Houshang HOSSEINPOUR, Pourya NAYEBI, CAUCASUS ENERGY, EUROPEAN OIL TRADERS, GEORGIAN BUSINESS DEVELOPMENT, GREAT BUSINESS DEALS, KSN FOUNDATION, NEW YORK GENERAL TRADING, NEW YORK MONEY EXCHANGE, and ORCHIDEA GULF TRADING. OFAC provided notice of actions taken to implement sanctions pursuant to E.O. 13608, among other authorities, with respect to Ferland Company Ltd. 79 Fed. Reg. 53,109 (Sep. 5, 2014). OFAC also provided notice of actions taken to implement sanctions pursuant to E.O. 13608 with respect to Vitaly Sokolenko (Ferland's general manager). 79 Fed. Reg. 53,251 (Sep. 8, 2014).

(2) E.O. 13599

President Obama issued Executive Order 13599, "Blocking Property of the Government of Iran and Iranian Financial Institutions," in 2012. See *Digest 2012* at 504-06. On April 29, 2014, OFAC, in consultation with the State Department, unblocked and removed from the SDN list an entity, Libra Shipping, which had been designated in 2013 pursuant to E.O. 13599. OFAC provided updated names and flagging information for 33 vessels previously identified pursuant to E.O. 13599 as property of Iran. 79 Fed. Reg. 53,106 (Sep. 5, 2014). OFAC designated the following persons pursuant to E.O. 13599 on August

29, 2014: KHAVARMIANEH BANK, KISH INTERNATIONAL BANK, GHARZOLHASANEH RESALAT BANK, KAFOLATBANK, and GHAVAMIN BANK. 79 Fed. Reg. 55,072 (Sep. 15, 2014).

(3) *Iran Sanctions Act, as amended*

As discussed in *Digest 2012* at 509-11, Congress amended the Iran Sanctions Act (“ISA”) in 2012 with passage of the Iran Threat Reduction Act and Syria Human Rights Act of 2012 (“TRA”) (Pub. L. 112–158). OFAC amended the Iranian Financial Sanctions Regulations (“IFSR”) to implement sections 503 and 504 of the TRA, which amended section 1245 of the National Defense Authorization Act for Fiscal Year 2012; and section 1, portions of section 6, and other related provisions of Executive Order 13622 of July 30, 2012. E.O. 13622 is discussed in *Digest 2012* at 507-9. See discussion in Section A.1.a., *supra*, regarding sanctions relief for Iran, including in relation to ISA, TRA, and E.O. 13622.

On January 7, 2014, the Secretary of State made the determination that Associated Shipbroking (a.k.a. SAM) was no longer engaging in sanctionable activity described in section 5(a) of ISA, as amended, and based on this determination and reliable assurances from SAM that it would not knowingly engage in such activities in the future, the sanctions that had been imposed on SAM on May 24, 2011 were lifted effective February 7, 2014. 79 Fed. Reg. 8781 (Feb. 13, 2014). OFAC provided notice of actions taken to implement sanctions pursuant to ISA, among other authorities, with respect to Ferland Company Ltd. 79 Fed. Reg. 53,109 (Sep. 5, 2014). OFAC provided notice of actions taken to implement sanctions pursuant to E.O. 13622 with respect to two entities, JAM Petrochemical Co. and Niksima Food and Beverage. 79 Fed. Reg. 53,110 (Sep. 5, 2014). On August 29, 2014, OFAC designated ASIA BANK pursuant to E.O. 13622. 79 Fed. Reg. 55,072 (Sep. 15, 2014). On August 28, 2014, the Secretary of State made the requisite determination and imposed sanctions pursuant to ISA on Dettin SpA. 79 Fed. Reg. 59,890 (Oct. 3, 2014).

(4) *E.O. 13628*

As discussed in *Digest 2012* at 514-15, President Obama issued Executive Order 13628, “Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Threat Reduction and Syria Human Rights Act of 2012 and Additional Sanctions With Respect to Iran” in 2012. On May 23, 2014, OFAC designated one individual pursuant to E.O. 13628: Morteza TAMADDON. 79 Fed. Reg. 32,819 (June 6, 2014). OFAC also took actions as directed by E.O. 13628 to implement sanctions imposed on KISH PROTECTION & INDEMNITY and CENTRAL INSURANCE OF IRAN by the Secretary of State pursuant to TRA. 79 Fed. Reg. 53,105 (Sep. 5, 2014). OFAC provided notice of actions taken to implement sanctions pursuant to E.O. 13628, among other authorities, with respect to Ferland Company Ltd. 79 Fed. Reg. 53,109 (Sep. 5, 2014). OFAC provided notice of

actions it had taken to implement sanctions pursuant to E.O. 13628 with respect to Dimitris Cambis and Impire Shipping Company, 79 Fed. Reg. 53,111 (Sep. 5, 2014).

(5) *E.O. 13645*

As discussed in *Digest 2013* at 481, President Obama issued Executive Order 13645, “Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Freedom and Counter-Proliferation Act of 2012 and Additional Sanctions With Respect To Iran,” in 2013. Effective April 29, 2014, OFAC designated two individuals and one entity pursuant to Executive Order 13645. 79 Fed. Reg. 26,303 (May 7, 2014). The designated persons are: Mohamed Saeed AL AQILI, AL AQILI GROUP LLC, and Anwar Kamal NIZAMI. OFAC provided notice of actions taken to implement sanctions pursuant to E.O. 13645, among other authorities, with respect to Ferland Company Ltd. 79 Fed. Reg. 53,109 (Sep. 5, 2014). OFAC provided notice that it had blocked the property of three entities (Mid Oil Asia Pte. Ltd., Singa Tankers Pte. Ltd., and Siqiriya Maritime Corp.), and identified the vessels associated with one of those entities, pursuant to E.O. 13645. 79 Fed. Reg. 53,112 (Sep. 5, 2014). OFAC also provided notice of actions taken to implement sanctions pursuant to E.O. 13645 with respect to Vitaly Sokolenko (Ferland’s general manager). 79 Fed. Reg. 53,251 (Sep. 8, 2014). On August 29, 2014, OFAC designated three individuals and two entities pursuant to E.O. 13645: Muzaffer POLAT, Abdelhak KADDOURI, and Seyedeh Hanieh Seyed Nasser Mohammad SEYYEDI; LISSOME MARINE SERVICES LLC, and FAYLACA PETROLEUM. 79 Fed. Reg. 55,072 (Sep. 15, 2014). OFAC also listed six vessels as blocked property of persons designated pursuant to E.O. 13645 at the same time. *Id.* On August 29, 2014, the Secretary of State made the requisite determination pursuant to IFCA and imposed sanctions on Goldentex FZE. 79 Fed. Reg. 59,890 (Oct. 3, 2014).

(6) *Iran Freedom and Counter-Proliferation Act*

See *Digest 2013* at 480-82 for background on the Iran Freedom and Counter-Proliferation Act of 2012 (“IFCA”), part of the National Defense Authorization Act for Fiscal Year 2013 (signed January 2, 2013). See also discussion in Section A.1.a., *supra*, regarding sanctions relief for Iran, including in relation to IFCA. On February 10, 2014, the Secretary of State determined pursuant to Sections 1244(i), 1245(g), 1246(e), and 1247(f) of IFCA that it was vital to the national security of the United States to temporarily waive the imposition of sanctions to allow for a discrete range of transactions related to the provision of satellite connectivity services to the Islamic Republic of Iran Broadcasting (“IRIB”). 79 Fed. Reg. 9030 (Feb. 14, 2014). The Secretary issued waivers based on Iran’s commitment to ensure that harmful satellite interference does not emanate from its territory, and verification by the U.S. government that harmful satellite interference is not currently emanating from the territory of Iran. IFCA

required the designation of the IRIB for the imposition of sanctions. The waivers were renewed in August. 79 Fed. Reg. 51,390 (Aug. 28, 2014).

Also on February 10, 2014, the Secretary provided the requisite report to Congress pursuant to IFCA. Excerpts follow from the report, which was published in the Federal Register on April 7, 2014. 79 Fed. Reg. 19,167 (Apr. 7, 2014).

* * * *

Section 1245(e) of the ... Iran Freedom and Counterproliferation Act of 2012, as delegated, requires that the Secretary of State, in consultation with the Secretary of the Treasury, determine (1) whether Iran is (a) using any of the materials described in subsection (d) of Section 1245 of the FY13 NDAA as a medium for barter, swap, or any other exchange or transaction; or (b) listing any of such materials as assets of the Government of Iran for purposes of the national balance sheet of Iran; (2) which sectors of the economy of Iran are controlled directly or indirectly by Iran's Islamic Revolutionary Guard Corps (IRGC); and (3) which of the materials described in subsection (d) are used in connection with the nuclear, military, or ballistic missile programs of Iran. Materials described in subsection (d) of Section 1245 are graphite, raw or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes.

Following a review of the available information, and in consultation with the Department of the Treasury and the intelligence community, the Under Secretary for Political Affairs has determined, pursuant to further delegated authority, that Iran is not using the materials described in Section 1245(d) as a medium for barter, swap, or any other exchange or transaction; nor is Iran listing any such materials as assets of the Government of Iran for purposes of the national balance sheet of Iran.

Following a review of the available information, and in consultation with the Department of the Treasury and the intelligence community, the Under Secretary for Political Affairs has also determined, pursuant to that further delegated authority, that the IRGC exercises indirect control over Iran's energy sector.

Finally, following a review of the available information, and in consultation with the Department of the Treasury and the intelligence community, the Under Secretary for Political Affairs has determined, pursuant to that further delegated authority, that of the 31 materials expected to be included within the scope of subsection (d), certain types of the following materials are used in connection with the nuclear, military, or ballistic missile programs of Iran: Aluminum, beryllium, boron, cobalt, copper, copper-infiltrated tungsten, copper-beryllium, graphite, hastelloy, inconel, magnesium, molybdenum, nickel, niobium, silver-infiltrated tungsten, steels (including, but not limited to, maraging steels and stainless steels), titanium, titanium diboride, tungsten, tungsten carbide, and zirconium.

* * * *

(7) *Section 1245 of the 2012 National Defense Authorization Act*

Section 1245(d) of the NDAA requires the U.S. Government to report to Congress on the availability of petroleum and petroleum products in countries other than Iran and determine whether price and supply permit purchasers of petroleum and petroleum products from Iran to “reduce significantly in volume their purchases from Iran.” Sanctions shall not be imposed on foreign financial institutions in countries that are determined to have made such significant reductions. See *Digest 2012* at 506-7. Effective January 20, 2014, President Obama delegated to the Secretary of State, in consultation with the Secretary of the Treasury, the authority conferred upon the President by section 1245(d)(5) of the NDAA. 79 Fed. Reg. 6453 (Feb. 4, 2014). On March 4, 2014, the Secretary of State determined that Belgium, the Czech Republic, France, Germany, Greece, Italy, Netherlands, Poland, Spain, and the United Kingdom, each qualified for the 180-day exception outlined in section 1245(d)(4)(D). 79 Fed. Reg. 18,382 (Apr. 1, 2014). Those countries again qualified for the exception on September 5, 2014. 79 Fed. Reg. 54,342 (Sep. 11, 2014). On May 27, 2014, the Secretary determined that Malaysia, Singapore, and South Africa qualified for the 180-day exception. 79 Fed. Reg. 32,011 (June 3, 2014). Malaysia, Singapore, and South Africa again received the exception based on a determination on November 28, 2014. 79 Fed. Reg. 72,054 (Dec. 4, 2014). In Presidential Determination No. 2014-11 of June 4, 2014, the President determined that the availability of petroleum and petroleum products was sufficient to permit purchasers to reduce their purchases from Iran. 79 Fed. Reg. 33,841 (June 12, 2014). The President made the same determination again on November 21, 2014 in Presidential Determination No. 2015-02. 79 Fed. Reg. 71,617 (Dec. 2, 2014).

(8) *Modification of sanctions*

As discussed in *Digest 2013* at 483, OFAC issued a General License authorizing the exportation to Iran of certain services, software, and hardware incident to personal communications. On February 7, 2014, OFAC issued a new General License (D-1) superseding and clarifying the license previously granted (D), authorizing the exportation, reexportation, or provision to Iran of certain services, software, and hardware incident to personal communications, subject to certain limitations, as well as the importation into the United States of certain software and hardware previously exported to Iran. 79 Fed. Reg. 13,736 (Mar. 11, 2014).

Effective April 7, 2014, OFAC amended the Iranian Transactions and Sanctions Regulations (“ITSR”) by expanding an existing general license that authorizes the exportation or reexportation of food to individuals and entities in Iran to include the broader category of agricultural commodities. 79 Fed. Reg. 18,990 (Apr. 7, 2014). OFAC also simultaneously amended its regulations to clarify and add certain definitions and to add a new general license authorizing the exportation or reexportation of certain replacement parts for certain medical devices. *Id.*

See also the discussion in Section A.1.a. of steps taken to waive or temporarily suspend sanctions as part of implementation of the JPOA.

2. Syria

Effective May 2, 2014, OFAC amended and reissued the Syrian Sanctions Regulations, implementing executive orders pertaining to Syria (including E.O. 13399, E.O. 13460, E.O. 13572, E.O. 13573, E.O. 13582, and E.O. 13606). 79 Fed. Reg. 25,414 (May 2, 2014). The new regulations incorporate general licenses, some of which had been posted previously on OFAC's website, and include updates and technical and conforming changes.

3. Nonproliferation

a. *Democratic People's Republic of Korea*

(1) *UN sanctions*

As discussed in *Digest 2013* at 493-94, a North Korea-flagged ship named the Chong Chon Gang was detained and inspected by authorities in Panama based on suspicion it was transporting illicit cargo in July 2013. On July 28, 2014, Ambassador Power delivered a statement on the actions of the UN Security Council's DPRK Sanctions Committee in response to the Chong Chon Gang incident. Her remarks are excerpted below and available at <http://usun.state.gov/briefing/statements/229873.htm>.

* * * *

On July 2013, Panama seized arms aboard the vessel Chong Chon Gang that were en route from Cuba to North Korea, one of the most serious violations of the UN arms embargo on North Korea. This was a cynical, outrageous and illegal attempt by Cuba and North Korea to circumvent United Nations sanctions prohibiting the export of weapons to North Korea. That is why the Security Council's DPRK Sanctions Committee acted today to punish the North Korean regime for its latest attempt to side-step international law.

Since the Chong Chon Gang incident, the Committee has undertaken a comprehensive investigation into the violation and uncovered irrefutable facts that clearly prove Cuba and the DPRK's intentions to violate sanctions by employing highly sophisticated deception and obfuscation techniques, including Cuba's false claims about the transaction being a routine repair effort when detected by Panamanian and UN authorities.

With today's welcome imposition of a global asset freeze on Ocean Maritime Management (OMM), the North Korean firm that operated the vessel, its fleet of shipping vessels will no longer be able to operate internationally. The designation of OMM sends an important message to the companies directly involved in violations of UN sanctions regimes: we will find you and hold you accountable.

We also welcome the Committee's release of an Implementation Assistance Notice to publicize the facts of the case and advise states on how to protect themselves from future arms smuggling attempts. We are pleased that with this Notice, the international community has refuted Cuba's erroneous and misleading claim that this arms shipment was allowed under UN Security Council resolutions.

The United States remains concerned about attempts by North Korea to circumvent international sanctions, and strongly condemns any efforts by nations such as Cuba to assist in the illegal evasion of binding decisions of the Council. We will remain vigilant in the enforcement of Security Council sanctions, and applaud the actions of Panama in this instance. Likewise, we applaud the cooperation and efforts of the DPRK Sanctions Committee and urge the Committee to do everything in its power to enforce the vital North Korean sanctions regime.

* * * *

(2) *U.S. sanctions*

On July 23, 2014, OFAC designated two entities, and identified eighteen vessels in which those entities have interests, pursuant to E.O. 13551, "Blocking Property of Certain Persons With Respect to North Korea." 79 Fed. Reg. 47,176 (Aug. 12, 2014).

b. Iran, North Korea, and Syria Nonproliferation Act

The Department of State imposed sanctions pursuant to the Iran, North Korea, and Syria Nonproliferation Act on multiple foreign persons based on a determination on August 5, 2014 that those persons had engaged in transfers or acquisitions to or from Iran, North Korea, or Syria of goods, services, or technology controlled under multilateral control lists (Missile Technology Control Regime, Australia Group, Chemical Weapons Convention, Nuclear Suppliers Group, Wassenaar Arrangement) or otherwise having the potential to make a material contribution to the development of weapons of mass destruction (WMD) or cruise or ballistic missile systems. 79 Fed. Reg. 78,548 (Dec. 30, 2014). Those sanctioned include individuals and entities in Belarus, China, Iran, North Korea, Russia, Sudan, Syria, and Venezuela. *Id.*

c. Executive Order 13382

On February 6, 2014, OFAC, in consultation with the Departments of State, Justice, and other relevant agencies, designated seven entities and three individuals whose property and interests in property are blocked pursuant to Executive Order 13382, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters": Pere PUNTI, ADVANCE ELECTRICAL AND INDUSTRIAL TECHNOLOGIES SL, TIVA DARYA, TIVA POLYMER CO., TIVA SANAT GROUP, TIVA KARA CO. LTD., Ali CANKO, Ulrich

WIPPERMANN, DF DEUTSCHE FORFAIT AMERICAS INC., DF DEUTSCHE FORFAIT AKTIENGESELLSCHAFT.

On April 29, 2014 OFAC designated eight entities pursuant to E.O. 13382: SUCCESS MOVE LTD., DALIAN ZHONGCHUANG CHAR-WHITE CO., LTD., TEREAL INDUSTRY AND TRADE LIMITED, DALIAN ZHENGHUA MAOYI YOUXIAN GONGSI, KARAT INDUSTRY CO., LTD., MTTO INDUSTRY AND TRADE LIMITED, SINOTECH INDUSTRY CO., LTD., SINOTECH DALIAN CARBON AND GRAPHITE MANUFACTURING CORPORATION. 79 Fed. Reg. 26,806 (May 9, 2014).

OFAC designated additional persons pursuant to E.O. 13382 on August 29, 2014: Ali GHOLAMI, Marzieh BOZORG, Mohammed Javad IMANIRAD, and Arman IMANIRAD; SAZEH MORAKAB CO. LTD. and NEFERTITI SHIPPING COMPANY. 79 Fed. Reg. 55,072 (Sep. 15, 2014). On August 29, 2014, the Department of State designated the Iranian entities Jahan Tech Rooyan Pars, Mandegar Baspar Kimiya Company, Organization of Defensive Innovation and Research, and Nuclear Science and Technology Research Institute pursuant to E.O. 13382. 79 Fed. Reg. 56,846 (Sep. 23, 2014).

On October 16, 2014, OFAC unblocked and delisted DEUTSCHE FORFAIT and DF DEUTSCHE FORFAIT AMERICAS INC. pursuant to E.O. 13382. 79 Fed. Reg. 64,013 (Oct. 27, 2014).

4. Terrorism

a. Security Council actions

On May 22, 2014, the Security Council sanctioned Boko Haram pursuant to Resolution 1267 (1999), as updated by Resolution 2083 (2012), due to its being associated with Al-Qaida and the Organization of Al-Qaida in the Islamic Maghreb ("AQIM"). For background on Resolution 1267, see *Digest 1991-99* at 1966 and for background on Resolution 2083, see *Digest 2012* at 525. Ambassador Power issued a statement, available at <http://usun.state.gov/briefing/statements/226467.htm>, welcoming the addition of Boko Haram to the UN's 1267 list. Ambassador Power stated:

The sanctions designation is the latest step in the international community's long-term effort to help Nigeria counter this terrorist threat. Last weekend in Paris, the United States and our partners agreed to assist Nigeria in developing a comprehensive strategy to address Boko Haram's threat to the region by strengthening regional cooperation on counterterrorism, including intelligence sharing and border security. Today's listing also supports and facilitates regional cooperation in confronting Boko Haram. The United States has been working with Nigeria to provide critical tools and support for confronting Boko Haram, like helping professionalize its military; working on law enforcement so that they can better investigate and assist in hostage situations; and providing economic assistance, including education and job training programs, to help lift people out of poverty and provide an alternative to extremist ideologies.

In the early hours of April 15, more than 200 school girls were snatched from their classrooms and taken hostage in one of many merciless Boko Haram attacks that have killed thousands. We will continue doing everything we can to help the people of Nigeria bring back their girls, and we will work with the government of Nigeria to eliminate Boko Haram, including refuting their backwards and bloodthirsty ideology, because no child anywhere should ever be afraid to pursue a brighter future.

On August 15, 2014, the Security Council adopted resolution 2170 on the Islamic State in Iraq and the Levant ("ISIL") and the al-Nusrah Front. Ambassador Power delivered the explanation of vote for the United States on the resolution. Her statement, excerpted below, is available in full at <http://usun.state.gov/briefing/statements/230658.htm>.

* * * *

The growth of the Islamic State in Iraq and the Levant (ISIL), al-Nusrah Front, and other associates of al-Qaeda represents a grave threat to the people of Syria and the people of Iraq, as well as to the region and the larger international community.

Through its rapid and brutal advance across northern Iraq, ISIL has secured heavy weapons and used them to push back Iraqi and Peshmerga forces trying to defend towns and cities. It has seized some of the country's precious natural resources and taken control of critical infrastructure. Now ISIL has the ability to block the flow of electricity and control access to the water supplies on which people depend.

ISIL and the al-Nusrah Front have used Syria's civil war and Iraq's instability to claim territory into which they attract others bent on violent extremism—and territory from which they can potentially launch attacks across the region and to other parts of the world.

This is the new front of the terrorist threat, and one with a devastating human cost. ISIL's recent attacks in Ninewa have displaced an estimated 200,000 people, bringing the total number of internally displaced persons in Iraq since January to a staggering 1.4 million.

The stories that have emerged from ISIL's bloody wake are the stuff of nightmares. Christians have been driven from their homes with the threat of "convert or die." I met earlier today with a bishop who was in Iraq just after the fall of Mosul. He described one ISIL attack on a hospital: one Christian patient who refused to convert was shot in the head; two who agreed to convert had their throats slit, denounced as infidels.

The Yezidis have been buried alive, beheaded, or killed in mass executions, and thousands were forced to flee to Mount Sinjar, where many ultimately perished from thirst or exposure to the elements. The Iraqi Human Rights Ministry estimates 500 Yezidi women and girls have been abducted; and there are reports of them being raped, trafficked, and killed.

ISIL and al-Nusrah continue to carry out similar atrocities in Syria, and they do so with seeming pride, posting gleeful images to the internet. ISIL also continues to confiscate much needed humanitarian aid bound for thousands of civilians in eastern Syria. They have no shame. None whatsoever.

Today's resolution, which the United States is proud to co-sponsor, represents the Council's strong, unified position that all Member States must disrupt the terrorist financing and foreign fighter recruitment networks that are fueling the violence perpetrated by ISIL, the al-Nusrah Front, and other associates of al-Qaeda in the region.

In imposing sanctions on six individuals, this resolution demonstrates the Council's sense of urgency and its willingness to take concrete action against those who carry the guns, and those who supply them.

Unchecked, the current terrorist financing and the foreign fighter recruitment networks will only prolong the terror we've seen unleashed in the region. The numbers of foreign fighters in Syria and Iraq, as well as their source nations, are unprecedented, reportedly as many as 12,000 have participated in the conflict. And the return of radicalized, battle-hardened jihadists to their home countries or other vulnerable destinations has the potential to widen the scope of the violence. This resolution should help stem the flow of money and people and I urge all Member States to expend every effort to help achieve these goals.

The United States is proud to have taken unprecedented steps to protect and assist the Yezidis who were trapped on Mount Sinjar. Today, we join with others on the Council in calling on all parties to prevent or stop the widespread or systematic attacks directed against any civilian populations because of their ethnic background, political views, religion, or beliefs.

We believe that Iraq's future political success will depend on preserving its unity and maintaining its vibrant diversity. We are encouraged by Prime Minister al-Maliki's decision to support Prime Minister-designate al-Abadi. This peaceful and historic transition of power demonstrates that Iraq is on its way to developing the kind of fully inclusive government it will need if it is to unify all Iraqis in the fight against ISIL. The international community must support Iraq to this end.

* * * *

b. U.S. targeted financial sanctions implementing Security Council resolutions

(1) Overview

The United States implements its counterterrorism obligations under UN Security Council Resolution 1267 (1999), subsequent UN Security Council resolutions concerning al-Qaida/Afghanistan sanctions including Resolutions 2083 (2012), 1988 (2011), 1989 (2011), and 1373 (2001) through Executive Order 13224 of September 24, 2001. Executive Order 13224 imposes financial sanctions on persons who have been designated in the annex to the executive order; persons designated by the Secretary of State for having committed or for posing a significant risk of committing acts of terrorism; and persons designated by the Secretary of the Treasury for working for or on behalf of, providing support to, or having other links to, persons designated under the executive order. See 66 Fed. Reg. 49,079 (Sept. 25, 2001); see also *Digest 2001* at 881–93 and *Digest 2007* at 155–58.

The United States had previously made some Taliban-related sanctions designations pursuant to a separate executive order (E.O. 13129) and accompanying OFAC-administered sanctions regulations. For a discussion of E.O. 13129, see *Digest 1991-99* at 1964-67. However, Executive Order 13268, issued by President George W. Bush in 2002, terminated E.O. 13129 and amended E.O. 13224 to include references to those sanctioned under E.O. 13129. See *Digest 2002* at 882-84. In 2011, OFAC revoked the Taliban Sanctions Regulations, leaving Taliban sanctions to be covered by its Global Terrorism Sanctions Regulations and E.O. 13224. 76 Fed. Reg. 31,470 (June 1, 2011).

(2) *Department of State*

In 2014, the Department of State announced the Secretary of State's designation of numerous entities and individuals (including their known aliases) pursuant to E.O. 13224.

In a Federal Register notice dated January 13, 2014, the Department announced the designation of Ansar al-Shari'a in Benghazi, Ansar al-Shari'a in Darnah, and Ansar al-Shari'a in Tunisia, along with individuals Ahmed Abu Khattalah, Sufian bin Qumu, and Seifallah Ben Hassine, commonly known as "Abou lyadh." 79 Fed. Reg. 2243 (Jan. 13, 2014). The State Department issued a media note on January 10, 2014, available at www.state.gov/r/pa/prs/ps/2014/01/219519.htm, identifying these groups as responsible for carrying out terrorist attacks including the September 11, 2012 attacks against the U.S. Special Mission and Annex in Benghazi, Libya and the September 14, 2012 attack against the U.S. Embassy and American school in Tunis. On January 23, 2014, the Department announced the designation of Ziyad al-Nakhalah in a media note available at www.state.gov/r/pa/prs/ps/2014/01/220540.htm. 79 Fed. Reg. 6668 (Feb. 4, 2014). As described in the media note, Ziyad is the Deputy Secretary General of the Palestinian Islamic Jihad ("PIJ"), a U.S.-designated Foreign Terrorist Organization, and has personally taken credit for numerous attacks against Israel.

On February 6, 2014, the Department announced, in a media note available at www.state.gov/r/pa/prs/ps/2014/02/221398.htm, the designations of the group Lashkar I Jhangvi ("LJ") and one of LJ's co-founders and its current leader, Malik Ishaq. The notice of the designation of Malik Ishaq was published in the Federal Register on February 7, 2014. 79 Fed. Reg. 7497 (Feb. 7, 2014).

On March 28, 2014, the Secretary of State designated Ansar Bayt al-Maqdis pursuant to E.O. 13224. 79 Fed. Reg. 19,958 (Apr. 10, 2014). On April 9, 2014, the Department issued a media note, available at www.state.gov/r/pa/prs/ps/2014/04/224566.htm, announcing and providing further information about the designation of Ansar Bayt al-Maqdis:

Created in 2011 following the Egyptian uprisings, Ansar Bayt al-Maqdis (ABM) is responsible for attacks on Israel and security services and tourists in Egypt.

ABM—who shares some aspects of AQ [Al Qaeda] ideology, but is not a formal AQ affiliate and generally maintains a local focus—was responsible for a July

2012 attack against a Sinai pipeline exporting gas to Israel. In August 2012, ABM claimed responsibility for a rocket attack on the southern Israeli city of Eilat, and in September 2012, ABM militants attacked an Israeli border patrol, killing one soldier and injuring another.

In October 2013, ABM claimed responsibility for a suicide bombing targeting the South Sinai Security Directorate in el Tor, which killed three people and injured more than 45. In January 2014, ABM successfully downed a military helicopter in a missile attack, killing five soldiers on board, and claimed responsibility for four attacks involving car bombs and hand grenades in Cairo, which left six people dead and over 70 wounded, many of them civilian bystanders.

ABM has also targeted government officials, including the September 2013 attempted assassination of the Egyptian Interior Minister, and the January 2014 assassination of the head of the Interior Minister's technical office. In February 2014, ABM expanded its targets to include foreign tourists, and claimed responsibility for the bombing of a tour bus in the Sinai Peninsula, killing the Egyptian driver and three South Korean tourists.

Effective May 12, 2014, the Department designated Shawki Ali Ahmed al-Badani under E.O. 13224. 79 Fed. Reg. 35,629 (June 23, 2014). On June 17, 2014, the Department announced the designation of al-Badani in a media note, available at www.state.gov/r/pa/prs/ps/2014/06/227678.htm. The media note explains :

Al-Badani is a leader and operative for al-Qa'ida in the Arabian Peninsula (AQAP), and he has long been involved in terrorist activity as a member of the group. The State Department designated AQAP as a Foreign Terrorist Organization and as an SDGT entity in January 2010.

In 2012, al-Badani reportedly assigned an AQAP operative to target the U.S. Embassy in Sanaa, Yemen, for attacks. He also has been described as being connected to a suicide bomber who killed over 100 Yemeni soldiers in a May 2012 attack. Furthermore, he played a key role in a plan for a major attack in summer 2013 that led the United States to close 19 diplomatic posts across the Middle East and Africa.

Al-Badani is on Yemen's Most Wanted list and the Yemeni government has offered a \$100,000 reward for anyone who can offer information about him, describing him as one of "the most dangerous terrorists affiliated with al-Qa'ida."

In May 2014, the Department of State amended the designation of al-Qa'ida in Iraq ("AQI") under E.O. 13224 to add the alias Islamic State of Iraq and the Levant ("ISIL") as its primary name and remove all aliases associated with al-Nusrah Front ("ANF"). 79 Fed. Reg. 27,972 (May 15, 2014). The Department simultaneously announced the designation of ANF under E.O. 13224. 79 Fed. Reg. 27,973 (May 15,

2014); see also Department of State media note, available at www.state.gov/r/pa/prs/ps/2014/05/226067.htm.

In June 2014, the Department amended the designation of Lashkar-e-Tayyiba to include the following new aliases: Al-Anfal Trust Tehrik-e-Hurmat-e-Rasool Tehrik-e-Tahafuz Qibla Awwal. 79 Fed. Reg. 36,376 (June 26, 2014). On June 16, 2014, the Department designated Anders Cameroon Ostensvig Dale (and known aliases) pursuant to E.O. 13224. 79 Fed. Reg. 41,623 (July 16, 2014).

On July 23, 2014, the Department amended the designation of Harakat ul-Mujahidin to include the additional alias Ansar ul-Ummah. 79 Fed. Reg. 46,500 (Aug 8, 2014). On August 1, 2014, the Department designated Mujahidin Shura Council in the Environs of Jerusalem ("MSC"). 79 Fed. Reg. 49,370 (Aug. 20, 2014). On August 8, the Department designated Said Arif. 79 Fed. Reg. 50,980 (Aug. 26, 2014). On August 15, the Department designated Abu Mohammed al-Adnani. 79 Fed. Reg. 53,248 (Sep. 8, 2014).

On September 10, 2014, the Department designated Amru al-Absi pursuant to E.O. 13224. 79 Fed. Reg. 60,567 (Oct. 7, 2014). On September 17, 2014, the Department designated Lavdrim Muhaxheri. 79 Fed. Reg. 59,549 (Oct. 2, 2014). Also on September 17, the Department designated Khan Said. 79 Fed. Reg. 63,207 (Oct. 22, 2014). On September 19, 2014, the Department designated Murad Margoshvili. 79 Fed. Reg. 59,549 (Oct. 2, 2014). Also on September 19, the Department designated Mohammed Abdel-Halim Hemaïda Saleh and Salim Benghalem. 79 Fed. Reg. 60,567 (Oct. 7, 2014). On September 22, 2014, the Department designated Maalim Salman. 79 Fed. Reg. 60,567 (Oct. 7, 2014). On September 23, 2014, the Department designated Nusret Imamovic. 79 Fed. Reg. 59,549 (Oct. 2, 2014). Also on September 23, the Department designated Muhannad al-Najdi, Harakat Sham al-Islam, Abdessamad Fateh, and Abd al-Baset Azzouz. 79 Fed. Reg. 60,568 (Oct. 7, 2014). Jaish al-Muhajireen wal-Ansar was also designated on September 23. 79 Fed. Reg. 60,569 (Oct. 7, 2014). On September 29, the Department designated Hakimullah Mehsud. 79 Fed. Reg. 63,207 (Oct. 22, 2014).

On October 10, the Department designated Ramzi Mawafi pursuant to E.O. 13224. 79 Fed. Reg. 63,206 (Oct. 22, 2014). Also on October 10, the Department designated Qari Hussain and Sangeen Zadran. 79 Fed. Reg. 63,207 (Oct. 22, 2014).

On December 18, 2014, the Department announced the designations of Ajnad Misr and Ibrahim al-Rubaysh in a media note available at www.state.gov/r/pa/prs/ps/2014/12/235386.htm. See also 79 Fed. Reg. 77,590 (Dec. 24, 2014). The media note provides information about the basis for the designations:

Ajnad Misr is an Egyptian violent extremist group that splintered from Ansar Bayt al-Maqdis (ABM), a designated foreign terrorist organization (FTO) and Specially Designated Global entity. Ajnad Misr officially announced its formation in January 2014, and has since claimed numerous attacks on Egyptian security forces at government buildings, public spaces and universities, often injuring or killing innocent bystanders.

Ibrahim al-Rubaysh is a senior leader of AQAP, a designated FTO and Specially Designated Global entity. He serves as a senior advisor for AQAP operational planning and is involved in the planning of attacks. He has served as a senior AQAP sharia official since 2013, and as a senior AQAP sharia official, al-Rubaysh provides the justification for attacks conducted by AQAP. In addition, he has made public statements, including one in August 2014 where he called on Muslims to wage war against the United States. In addition, since October 14, 2014, Ibrahim al-Rubaysh has been subject to a five million dollar Reward for Justice.

Many of these U.S. designated entities and individuals are also listed by the Security Council's 1267/1989 Committee. See www.un.org/sc/committees/1267/index.shtml. The 1988 (Afghanistan/Taliban) Committee also lists many of the same individuals and entities that have been designated by the United States. See www.un.org/sc/committees/1988.

The State Department also continued to review designations and delist persons who had been designated under E.O. 13224. On March 19, 2014, the Department revoked the designation of Wali Ur Rehman as a Specially Designated Global Terrorist pursuant to Section 1(b) of E.O. 13224. 79 Fed. Reg. 18,603 (Apr. 2, 2014). On November 24, 2014, the Department revoked the designation of Said Ali al-Shihri. 79 Fed. Reg. 73,686 (Dec. 11, 2014).

(3) OFAC

(i) OFAC designations

OFAC designated numerous individuals (including their known aliases) and entities pursuant to Executive Order 13224 during 2014. The designated individuals and entities typically are owned or controlled by, act for or on behalf of, or provide support for or services to individuals or entities the United States has designated as terrorist organizations pursuant to the order. See 79 Fed. Reg. 8540 (Feb. 12, 2014) (eight individuals—Pejman Mahmood KOSARAYANIFARD, Hamidreza MALEKOUTI POUR, Gholamreza MAHMOUDI, Sayyed Kamal MUSAVI, Mahmud AFKHAMI RASHIDI, Olimzhon Adkhamovich SADIKOV, Alireza HEMMATI, Akbar SEYED ALHOSSEINI—and two entities—AVIA TRUST FZE and BLUE SKY AVIATION CO FZE); 79 Fed. Reg. 9048 (Feb. 14, 2014) (three individuals—Muhammad Omar ZADRAN, Yahya HAQQANI, and Saidullah JAN); 79 Fed. Reg. 9049 (Feb. 14, 2014) (three individuals—Pere PUNTI, Ali CANKO, and Ulrich WIPPERMANN and seven entities—ADVANCE ELECTRICAL AND INDUSTRIAL TECHNOLOGIES SL, TIVA DARYA, TIVA POLYMER CO., TIVA SANAT GROUP, TIVA KARA CO. LTD., DF DEUTSCHE FORFAIT AMERICAS INC., DF DEUTSCHE FORFAIT AKTIENGESELLSCHAFT); 79 Fed. Reg. 29,266 (May 21, 2014) (two individuals—'Abd Al-Rahman Muhammad Zafir Al-Dubaysi AL-JUHNI and Abd Al-Rahman Muhammad Mustafa AL-QADULI; 79 Fed. Reg. 41,627 (July 16, 2014) (five individuals—Issam

Mohamad AMHAZ, Kamel Mohamad AMHAZ, Ayman IBRAHIM, Hanna Elias KHALIFE and Ali ZEAITER—and seven entities—FASTLINK SARL, STARS COMMUNICATIONS LTD, STARS COMMUNICATIONS OFFSHORE SAL, STARS GROUP HOLDING, STARS INTERNATIONAL LTD, TELESERVE PLUS SAL, and UNIQUE STARS MOBILE PHONES LLC); * 79 Fed. Reg. 37,845 (July 2, 2014) (two individuals—Muhammad Hussein GILL and Nazir Ahmad CHAUDHRY); 79 Fed. Reg. 47,725 (Aug. 14, 2014) (three individuals—‘Abd al-Rahman Khalaf ‘Ubayd Juday’ AL-‘ANIZI, Shafi Sultan Mohammed AL-AJMI, Hajjaj Fahd Hajjaj Muhammad Shabib AL-‘AJMI); 79 Fed. Reg. 52,112 (Sep. 2, 2014) (two individuals— Qari RAHMAT and Haji Abdul BASIR—and one entity—HAJI BASIR AND ZARJMIL COMPANY HAWALA); 79 Fed. Reg. 55,072 (Sep. 15, 2014) (one individual— Sayyed Jabar HOSSEINI—and four entities—PIONEER LOGISTICS, ASIAN AVIATION LOGISTICS COMPANY LIMITED, CASPIAN AIRLINES, MERAJ AIR); 79 Fed. Reg. 59,554 (Oct. 2, 2014) (11 individuals and one entity); 79 Fed. Reg. 61132 (Oct. 9, 2014) (three individuals— Muhammed Naeem Sheikh, Umair Naeem Sheikh, and Fazl-ur Rehman—and two entities—ABDUL HAMEED SHAHAB-UD-DIN and NIA INTERNATIONAL); 79 Fed. Reg. 64,648 (Oct. 30, 2014) (one individual—Muhammed Haji IQBAL—and one entity—ASMA MONEY EXCHANGERS);

During 2014 the Security Council’s 1267/1989 and 1988 Committee added some individuals to its lists who had been designated by the United States. See www.un.org/sc/committees/1267/index.shtml and www.un.org/sc/committees/1988.

(ii) *OFAC de-listings*

In 2014, OFAC determined that two persons that had been designated pursuant to E.O. 13224 should be removed from the Treasury Department’s list of Specially Designated Nationals and Blocked Persons. On July 11, 2014, OFAC delisted KINDHEARTS FOR CHARITABLE HUMANITARIAN DEVELOPMENT, INC. 79 Fed. Reg. 42,073 (July 18, 2014). On November 26, 2014, OFAC delisted Yasin Abdullah Ezzedine AL-QADI. 79 Fed. Reg. 72,248 (Dec. 5, 2014).

c. Annual certification regarding cooperation in U.S. antiterrorism efforts

On May 12, 2014, the Secretary of State certified to Congress pursuant to Section 40A of the Arms Export Control Act that Cuba, Eritrea, Iran, Democratic People’s Republic of Korea (DPRK, or North Korea), Syria, and Venezuela are “not cooperating fully with United States antiterrorism efforts.” 79 Fed. Reg. 32,357 (June 4, 2014).

* Editor’s note: Among those designated on July 10 were several persons identified as part of a procurement network for Hezbollah in a July 10, 2014 State Department media note, available at www.state.gov/r/pa/prs/ps/2014/07/229013.htm.

5. Russia and Ukraine

a. *Sanctions in response to Russia's actions in Ukraine*

As discussed in Chapter 9, the United States responded to the Russian government's actions against the territorial integrity of Ukraine in several ways during 2014. The U.S. and international response includes several sanctions measures.

(1) *U.S. Sanctions Measures*

(i) *E.O. 13660*

On March 6, 2014, President Obama issued Executive Order 13660, "Blocking Property of Certain Persons Contributing to the Situation in Ukraine." 79 Fed. Reg. 13,493 (Mar. 10, 2014). E.O. 13660 was a response to "persons who have asserted governmental authority in the Crimean region without the authorization of the Government of Ukraine that undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets." *Id.* Section 1 of E.O. 13660 authorizes the Secretary of Treasury, in consultation with the Secretary of State, to block the property of persons (entities and individuals) who have taken actions to undermine democratic processes or threatened the peace, security, stability, sovereignty, or territorial integrity of Ukraine or misappropriated Ukraine's state assets, as well as those who have asserted unauthorized governmental control of the territory of Ukraine or those who have assisted others in taking such actions. Section 2 imposes visa and travel restrictions on these persons. As of March 2015, 62 individuals and entities had been designated pursuant to E.O. 13660.

(ii) *E.O. 13661*

On March 16, 2014, President Obama issued Executive Order 13661, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine." 79 Fed. Reg. 15,535 (Mar. 19, 2014). E.O. 13661 came in response to the deployment of Russian Federation military forces in the Crimea region of Ukraine. E.O. 13661 blocks the property of persons listed in the Annex to the order, as well as additional persons determined by Treasury (in consultation with State):

- (A) to be an official of the Government of the Russian Federation;
- (B) to operate in the arms or related materiel sector in the Russian Federation;
- (C) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly:

- (1) a senior official of the Government of the Russian Federation; or

- (2) a person whose property and interests in property are blocked pursuant to this order; or
- (D) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of:
 - (1) a senior official of the Government of the Russian Federation; or
 - (2) a person whose property and interests in property are blocked pursuant to this order.

Like E.O. 13660, E.O. 13661 also includes visa sanctions on the persons whose property is blocked pursuant to the order. As of March 2015, 70 individuals and entities had been designated pursuant to E.O. 13661.

OFAC published a comprehensive list of all individuals and entities sanctioned pursuant to E.O. 13660 and E.O. 13661 as of July 31, 2014, which included: four individuals whose property and interests were blocked on March 17, 2014 pursuant to E.O. 13660 (former president of Ukraine Viktor Yanukovich among them); twenty individuals (many Russian government officials) and one entity (Bank Rossiya) whose property and interests were blocked on March 20, 2014 pursuant to E.O. 13661; seven individuals and one entity whose property and interests were blocked pursuant to E.O. 13660 on April 11, 2014; seven individuals and seventeen entities whose property and interests were blocked pursuant to E.O. 13661 on April 28, 2014; seven individuals whose property and interests were blocked pursuant to E.O. 13660 on June 20, 2014. 79 Fed. Reg. 46,302 (Aug. 7, 2014).

(iii) E.O. 13662

On March 20, 2014, President Obama issued Executive Order 13662, “Blocking Property of Additional Persons Contributing to the Situation in Ukraine.” 79 Fed. Reg. 16,169 (Mar. 24, 2014). The further actions taken in E.O. 13662 came in response to the continuing actions and policies of the Government of the Russian Federation, including its purported annexation of Crimea and its use of force in Ukraine. As defined in Section 1 of the order, the persons whose property is blocked include those determined:

- (i) to operate in such sectors of the Russian Federation economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, such as financial services, energy, metals and mining, engineering, and defense and related materiel;
- (ii) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order; or
- (iii) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order.

E.O. 13662 again includes visa sanctions as well as blocking sanctions on the designated persons. As of March 2015, 14 individuals and entities had been designated pursuant to E.O. 13662.

Section 1(b) of E.O. 13662 also allows that regulations, licenses, directives and the like may be issued regarding the application of the blocking sanctions. OFAC has issued regulations regarding the implementation of E.O. 13660, E.O. 13661, and E.O. 13662. 79 Fed. Reg. 26,365 (May 8, 2014). OFAC has also issued several general licenses, links to which are available at www.treasury.gov/resource-center/sanctions/Programs/Pages/ukraine.aspx. On September 12, 2014, OFAC issued Directives 3 and 4 and superseded its previous Directives 1 and 2 pursuant to E.O. 13662. These directives are also available at www.treasury.gov/resource-center/sanctions/Programs/Pages/ukraine.aspx. As summarized on OFAC's webpage addressing Frequently Asked Questions about the E.O. 13662 Directives, available at http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#ukraine, these directives prohibit certain financial transactions:

Directive 1, issued on July 16, 2014, prohibits transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days or equity if that debt or equity is issued on or after the sanctions effective date ("new debt" or "new equity") by, on behalf of, or for the benefit of the persons operating in Russia's financial sector named under Directive 1, their property, or their interests in property. On September 12, 2014, OFAC amended Directive 1, reducing the tenor of prohibited debt from longer than 90 days to longer than 30 days.

Directive 2 separately prohibits transacting in, providing financing for, or otherwise dealing in new debt of greater than 90 days maturity if that debt is issued on or after the sanctions effective date by, on behalf of, or for the benefit of the persons operating in Russia's energy sector named under the Directive 2, their property, or their interests in property.

* * * *

OFAC issued Directive 3, introducing new prohibitions on all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of persons determined to be subject to the Directive, their property, or their interests in property. Transactions by U.S. persons or within the United States involving derivative products whose value is linked to an underlying asset that constitutes new debt with maturity of longer than 30 days issued by a person subject to Directive 3 are authorized by General License 1A pursuant to Executive Order 13662.

* * * *

OFAC issued Directive 4, introducing new prohibitions on the provision of goods, services (except for financial services), and technology for certain activities involving certain persons operating in the energy sector of the Russian Federation. Directive 4 prohibits the direct or indirect provision, exportation, or reexportation of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and involve any person determined to be subject to Directive 4 or that person's property or interests in property. ...

* * * *

OFAC published updates on its actions pursuant to Executive Orders 13660, 13661 and 13662 as well as the directives and licenses issued pursuant to E.O. 13662. 79 Fed. Reg. 63,021 (Oct. 21, 2014). OFAC designated one individual and three entities on July 16, 2014 pursuant to E.O. 13660. *Id.* Also on July 16, OFAC designated four individuals and eight entities pursuant to E.O. 13661. On July 29, 2014, OFAC designated one entity pursuant to E.O. 13661. *Id.* OFAC designated five more entities pursuant to E.O. 13661 on September 12, 2014. *Id.* Sectoral determinations made by the Treasury Department pursuant to E.O. 13662 include the financial services and energy sectors (as of July 16, 2014); the defense and related materiel sector (as of September 12, 2014). *Id.* Two entities were determined on July 16 pursuant to Original Directive 1 to be part of the financial services sector and three more were subsequently determined to be subject to Original Directive 1 on July 29. *Id.* Two entities were determined to be subject to Original Directive 2 as part of the energy sector on July 16, 2014. *Id.* On September 12, the five entities originally subject to Original Directive 1 were determined to be subject to Directive 1 as amended and one new entity was also determined to be in the financial services sector and subject to Directive 1. *Id.* Similarly, the two entities previously subject to Original Directive 2 were determined to be subject to Directive 2 as amended and two new entities were determined to be subject to Directive 2. *Id.* Also on September 12, OFAC determined that one entity was subject to Directive 3 as operating in the defense and related materiel sector and five entities were identified as subject to Directive 4 (as operating in the energy sector). *Id.*

(iv) *Restrictions on defense exports*

On April 28, 2014, the United States announced that it was implementing additional restrictions on defense exports to Russia in response to Russia's actions in southern and eastern Ukraine. See press statement, available at www.state.gov/r/pa/prs/ps/2014/04/225241.htm, in which a Department of State spokesperson explains:

...the Department of State is expanding its export restrictions on technologies and services regulated under the U.S. Munitions List (USML).

Effective immediately, the Department's Directorate of Defense Trade Controls (DDTC) will deny pending applications for export or re-export of any high technology defense articles or services regulated under the U.S. Munitions List to Russia or occupied Crimea that contribute to Russia's military capabilities. In addition, the Department is taking actions to revoke any existing export licenses which meet these conditions. All other pending applications and existing licenses will receive a case-by-case evaluation to determine their contribution to Russia's military capabilities.

The United States will continue to adjust its export licensing policies toward Russia, as warranted by Russia's actions in Ukraine. We urge Russia to honor the commitments it made in Geneva on April 17 to deescalate the situation in Ukraine.

(v) *Ukraine Freedom Support Act*

On December 18, 2014, President Obama signed the Ukraine Freedom Support Act, P.L. 113-272 (H.R. 5859). President Obama's signing statement follows, and is available at www.whitehouse.gov/the-press-office/2014/12/18/statement-president-ukraine-freedom-support-act.

Today, I have signed H.R. 5859, the Ukraine Freedom Support Act of 2014, into law. Signing this legislation does not signal a change in the Administration's sanctions policy, which we have carefully calibrated in accordance with developments on the ground and coordinated with our allies and partners. At this time, the Administration does not intend to impose sanctions under this law, but the Act gives the Administration additional authorities that could be utilized, if circumstances warranted.

My Administration will continue to work closely with allies and partners in Europe and internationally to respond to developments in Ukraine and will continue to review and calibrate our sanctions to respond to Russia's actions. We again call on Russia to end its occupation and attempted annexation of Crimea, cease support to separatists in eastern Ukraine, and implement the obligations it signed up to under the Minsk agreements.

As I have said many times, our goal is to promote a diplomatic solution that provides a lasting resolution to the conflict and helps to promote growth and stability in Ukraine and regionally, including in Russia. In this context, we continue to call on Russia's leadership to implement the Minsk agreements and to reach a lasting and comprehensive resolution to the conflict which respects Ukraine's sovereignty and territorial integrity. We remain prepared to roll back sanctions should Russia take the necessary steps.

(vi) *E.O. 13685*

On December 19, 2014, President Obama issued Executive Order 13685, “Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine.” 79 Fed. Reg. 77,357 (Dec. 24, 2014). Sections 1 and 2 of the order prohibit transactions with Crimea and block property of those who operate, lead, or provide support for those operating or leading in Crimea, as follows:

Section 1. (a) The following are prohibited:

- (i) new investment in the Crimea region of Ukraine by a United States person, wherever located;
- (ii) the importation into the United States, directly or indirectly, of any goods, services, or technology from the Crimea region of Ukraine;
- (iii) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, services, or technology to the Crimea region of Ukraine; and
- (iv) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.

(b) The prohibitions in subsection (a) of this section apply except to the extent provided by statutes, or in regulations, orders, directives, or licenses that may be issued pursuant to this order, and notwithstanding any contract entered into or any license or permit granted prior to the effective date of this order.

Sec. 2. (a) All property and interests in property that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person (including any foreign branch) of the following persons are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in: any person determined by the Secretary of the Treasury, in consultation with the Secretary of State:

- (i) to operate in the Crimea region of Ukraine;
- (ii) to be a leader of an entity operating in the Crimea region of Ukraine;
- (iii) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order; or
- (iv) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order.

(b) The prohibitions in subsection (a) of this section apply except to the extent provided by statutes, or in regulations, orders, directives, or licenses that

may be issued pursuant to this order, and notwithstanding any contract entered into or any license or permit granted prior to the effective date of this order.

The Russian National Commercial Bank has been designated pursuant to E.O. 13685.

(2) *International Sanctions Measures*

On September 11, 2014, President Obama issued a statement on the coordinated sanctions measures taken by the United States and the European Union against Russia. Daily Comp. Pres. Docs. 2014 DCPD No. 00656 (Sep. 11, 2014). The President's statement on international sanctions follows.

* * * *

Today we join the European Union in announcing that we will intensify our coordinated sanctions on Russia in response to its illegal actions in Ukraine. I have said from the very beginning of this crisis that we want to see a negotiated political solution that respects Ukraine's sovereignty and territorial integrity. Together with G-7 and European partners and our other allies, we have made clear that we are prepared to impose mounting costs on Russia. We are implementing these new measures in light of Russia's actions to further destabilize Ukraine over the last month, including through the presence of heavily armed Russian forces in eastern Ukraine. We are watching closely developments since the announcement of the cease-fire and agreement in Minsk, but we have yet to see conclusive evidence that Russia has ceased its efforts to destabilize Ukraine.

We will deepen and broaden sanctions in Russia's financial, energy, and defense sectors. These measures will increase Russia's political isolation as well as the economic costs to Russia, especially in areas of importance to President Putin and those close to him. My administration will outline the specifics of these new sanctions tomorrow.

The international community continues to seek a genuine negotiated solution to the crisis in Ukraine. I encourage President Putin to work with Ukraine and other international partners, within the context of the Minsk agreement and without setting unreasonable conditions, to reach a lasting resolution to the conflict. As I said last week, if Russia fully implements its commitments, these sanctions can be rolled back. If, instead, Russia continues its aggressive actions and violations of international law, the costs will continue to rise.

* * * *

b. *Magnitsky Act*

For background on the Sergei Magnitsky Rule of Law Accountability Act of 2012 ("Magnitsky Act"), see *Digest 2013* at 505-06. On May 20, 2014, the State Department submitted to Congress a list of additional persons determined to meet the criteria in the Magnitsky Act, which include responsibility for the detention, abuse, or death of Sergei Magnitsky, or involvement in certain other gross human rights violations, in particular

acts against individuals seeking to expose illegal activity by Russian officials, or seeking to obtain, exercise, defend, or promote human rights and freedoms in Russia. The sanctions imposed on the listed persons include ineligibility to receive visas and be admitted into the United States as well as blocking their property and interests in property subject to U.S. jurisdiction. See May 20, 2014 Department press statement, available at www.state.gov/r/pa/prs/ps/2014/05/226367.htm. The names of those added to the “Magnitsky list” on May 20, 2014 are available at <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140520.aspx>. See also Federal Register notice regarding the twelve persons designated on May 20, 2014. 79 Fed. Reg. 53,517 (Sep. 9, 2014).

On December 29, 2014, the State Department submitted to Congress, the second annual report on implementation of the Magnitsky Act. The report added four persons to the list of those designated for visa and blocking sanctions pursuant to the Act. The persons designated on December 29 are: Apti Kharonovich ALAUDINOV, Magomed Khozhakhmedovich DAUDOV, Victor Yakovlevich GRIN, and Andrei Alexandrovich STRIZHOV. A State Department press statement announced and explained the submission of the report and the new designations:

The criteria include persons involved in the criminal conspiracy uncovered by Sergei Magnitsky, a Russian lawyer who died of medical neglect on November 16, 2009, after a year in pre-trial detention in a Moscow prison, after he uncovered a large tax fraud scheme perpetrated by Russian officials. The criteria also include individuals responsible for Magnitsky’s detention, abuse, or death, and those who engaged in subsequent cover-up efforts. Additionally, the criteria also cover persons responsible for extrajudicial killings, torture, or other gross violations of human rights against whistleblowers and individuals attempting to exercise, defend, or promote their internationally recognized human rights and freedoms in the Russian Federation. The list now comprises 34 names, including 16 individuals added in the past year.

On December 29, 2014, the Department held a briefing on the Magnitsky Act sanctions in conjunction with the transmittal of the report to Congress identifying additional persons to be sanctioned pursuant to the Magnitsky Act. The transcript of the briefing is excerpted below and available at www.state.gov/r/pa/prs/ps/2014/12/235535.htm.

* * * *

...Today, Secretary Kerry transmitted to the Congress the third of our Magnitsky reports, or reports to Congress pursuant to the Magnitsky Act. This report included a list of four Russian officials newly added to the list. They ... are ... subject to both a visa restriction, a ban on entry into the United States; and an asset freeze, in accordance with the Magnitsky Act. ... Two are

Russian officials who were implicated in the death and subsequent cover-up ... of Sergei Magnitsky himself. Two are Chechen officials who were implicated in the kidnapping, torture, and later framing of a noted Chechen activist ... earlier this year.

|* * * *

In each Magnitsky list so far, we have combined those designations associated with Magnitsky himself with those associated with other gross human rights violations. The same is true in this case. The numbers of Magnitsky-related designations have dropped, you have noticed. This is ... largely due to the fact that the numbers of individuals whom we can designate, whom we can tie through fact-based analysis to Magnitsky's death and the subsequent cover-up of that death, will drop. We're not done with that process, but it is going to become more of a challenge to designate Magnitsky-related individuals. And just as a matter of reality, our efforts will begin to turn to the gross violations of human rights, as in the case of the Chechen activist, Mr. Kutayev.

One other thing worth mentioning about the two Russian officials, Viktor Grin, deputy prosecutor general, and Andrei Strizhov, investigator under the investigative committee, who were, of course, designated because of their involvement in the ... cover-up of Magnitsky's killing. ... They are also... associated with arrests, prosecutions, and other problematic actions with respect to the Bolotnaya case. You remember the demonstrations in Bolotnaya Square in the beginning of 2012, ... during which and after which people were rounded up and prosecuted. They were not designated under the Magnitsky Act because of this involvement, but it is a fact that they were involved in Bolotnaya cases, and one of them—Deputy Prosecutor General Grin—was also involved in the Khodorkovsky and Lebedev case[s].

...[S]pecifically Grin was responsible for opening two posthumous cases against Magnitsky. They put Magnitsky on trial ... after he was dead, which astonished us. We didn't know it was possible. And in fact, it really isn't possible under Russian law, as I understand it, except in response to the request of the family. And Magnitsky's family has gone on record saying they did not request their family member to be put on trial again after he was dead. So Viktor Grin's involvement of this ... bizarre...action was one that is particularly satisfying to those of us who want to see the Magnitsky Act implemented fairly.

* * * *

We intend to continue to administer the Magnitsky Act. Specifically, we intend to pursue additional designations. I can't make promises in advance as to the timing or the extent, but I can tell you that we are committed to continuing this process.

As to effectiveness, ... in pursuit of any sustained human rights policy, results come unevenly and there tend to be tipping points. That is, our listing of individuals may have the indirect effect of putting Russian officials on notice that if they are involved in gross violations of human rights, trumped-up cases, false accusations, grotesque examples of ... mishandling of justice, such as putting a dead man on trial, under this law they may be held personally liable. Now, this is not an ideal situation. In democracies, in the rule of law, governments and a free media inside the country are responsible for correcting mistakes and issuing reports—sometimes embarrassing to the host government But absent that process, the Magnitsky Act can serve as an admittedly imperfect tool to advance human rights and ultimately the cause of justice, which

was, I believe, its intent. And it is that tool which we will attempt to advance, working with the Congress, with human rights communities, inside and outside Russia, and with the knowledge that now as in the Soviet period, a sustained, determined human rights policy can, in fact, be effective.

* * * *

... There have been 34 individual designations so far under the Magnitsky Act in the three tranches of names we have provided to Congress. ...

* * * *

6. Threats to Democratic Process

a. *Burma*

In 2014, the United States continued to modify sanctions in response to the government of Burma's implementation of democratic reforms, while maintaining targeted sanctions on those who pose a threat to Burma's peace and stability. Effective June 30, 2014, OFAC amended and reissued in their entirety the Burmese Sanctions Regulations implementing E.O. 13448, E.O. 13464, E.O. 13619, and E.O. 13651. 79 Fed. Reg. 37,105 (June 30, 2014). OFAC designated one person (Aung Thaung) pursuant to E.O. 13448, "Blocking Property and Prohibiting Certain Transactions Related to Burma," on October 30, 2014. 79 Fed. Reg. 70,616 (Nov. 26, 2014).

b. *Coup Determinations: Thailand and Fiji*

On May 22, 2014, in a press statement available at www.state.gov/secretary/remarks/2014/05/226446.htm, Secretary Kerry expressed disappointment that the Thai military had suspended the constitution and taken control of the government. He warned that the military coup in Thailand had prompted the United States government to review its U.S.-Thai assistance and engagement programs. On May 28, 2014, the Department of State confirmed that it had suspended approximately \$3.5 million in unspent and unobligated Foreign Military Financing ("FMF") assistance and \$85,000 of unspent International Military Education and Training ("IMET") funds that could have been provided by the United States to Thailand were it not for the military coup. See response to a question taken at the May 27, 2014 daily press briefing, available at www.state.gov/r/pa/prs/ps/2014/05/226620.htm.

On October 24, 2014, the Department of State determined that since its previous determination to terminate assistance to Fiji due to a 2006 military coup, a democratically elected government had taken office in Fiji. 79 Fed. Reg. 70,265 (Nov. 25, 2014).

c. *Zimbabwe*

Effective April 7, 2014, OFAC removed from its list of those designated under the Zimbabwe sanctions program the names of one individual (Muller RAUTENBACH) and one entity (RIDGEPOINT OVERSEAS DEVELOPMENTS LIMITED) whose property and interests in property were unblocked pursuant to Executive Order 13469 of July 25, 2008, "Blocking Property of Additional Persons Undermining Democratic Processes or Institutions in Zimbabwe." 79 Fed. Reg. 26,302 (May 7, 2014). Effective April 17, 2014, nine individuals were delisted and their property unblocked pursuant to Executive Order 13288 of March 6, 2003, "Blocking Property of Persons Undermining Democratic Processes or Institutions in Zimbabwe," as amended by Executive Order 13391 of November 22, 2005, "Blocking Property of Additional Persons Undermining Democratic Processes or Institutions in Zimbabwe." 79 Fed. Reg. 27,973 (May 15, 2014). The individuals, several of whom hold positions in the government of Zimbabwe, are: Victoria CHITEPO, Marian CHOMBO, Kumbirai KANGAI, Munyaradzi Paul MANGWANA, Sharlottie MSIPA, John Landa NKOMO, Peter Baka NYONI, Sithembiso NYONI, Isaiah Masvayamwanda SHUMBA.

Effective April 17, 2014, three individuals and one entity were added to the list of persons sanctioned pursuant to E.O. 13469. 79 Fed. Reg. 34,565 (June 17, 2014). The persons designated are: Sam PA, Jimmy ZERENIE, Tobaiwa MUDEDE, and SINO ZIM DEVELOPMENT (PVT) LTD.

On July 10, 2014, OFAC issued, as a final rule, the amended Zimbabwe Sanctions Regulations to implement E.O. 13391 and E.O. 13469. 79 Fed. Reg. 39,312 (July 10, 2014).

d. *Cuba*

As discussed in Chapter 9, on December 17, 2014, President Obama announced a new U.S. policy on Cuba that would include restoring diplomatic relations and easing sanctions. President Obama's announcement is available at www.whitehouse.gov/issues/foreign-policy/cuba. Secretary Kerry's remarks on the announcement of policy changes toward Cuba are available at www.state.gov/secretary/remarks/2014/12/235352.htm. The White House issued a fact sheet entitled "Charting a New Course on Cuba," available at www.whitehouse.gov/the-press-office/2014/12/17/fact-sheet-charting-new-course-cuba. Portions of the fact sheet pertaining to changes in U.S. sanctions programs are excerpted below.

* * * *

It is clear that decades of U.S. isolation of Cuba have failed to accomplish our enduring objective of promoting the emergence of a democratic, prosperous, and stable Cuba. At times, longstanding U.S. policy towards Cuba has isolated the United States from regional and

international partners, constrained our ability to influence outcomes throughout the Western Hemisphere, and impaired the use of the full range of tools available to the United States to promote positive change in Cuba. Though this policy has been rooted in the best of intentions, it has had little effect—today, as in 1961, Cuba is governed by the Castros and the Communist party.

We cannot keep doing the same thing and expect a different result. It does not serve America's interests, or the Cuban people, to try to push Cuba toward collapse. We know from hard-learned experience that it is better to encourage and support reform than to impose policies that will render a country a failed state. With our actions today, we are calling on Cuba to unleash the potential of 11 million Cubans by ending unnecessary restrictions on their political, social, and economic activities. In that spirit, we should not allow U.S. sanctions to add to the burden of Cuban citizens we seek to help.

* * * *

Adjusting regulations to more effectively empower the Cuban people

- The changes announced today will soon be implemented via amendments to regulations of the Departments of the Treasury and Commerce. Our new policy changes will further enhance our goal of empowering the Cuban population.
- Our travel and remittance policies are helping Cubans by providing alternative sources of information and opportunities for self-employment and private property ownership, and by strengthening independent civil society.
- These measures will further increase people-to-people contact; further support civil society in Cuba; and further enhance the free flow of information to, from, and among the Cuban people. Persons must comply with all provisions of the revised regulations; violations of the terms and conditions are enforceable under U.S. law.

Facilitating an expansion of travel under general licenses for the 12 existing categories of travel to Cuba authorized by law

- General licenses will be made available for all authorized travelers in the following existing categories: (1) family visits; (2) official business of the U.S. government, foreign governments, and certain intergovernmental organizations; (3) journalistic activity; (4) professional research and professional meetings; (5) educational activities; (6) religious activities; (7) public performances, clinics, workshops, athletic and other competitions, and exhibitions; (8) support for the Cuban people; (9) humanitarian projects; (10) activities of private foundations or research or educational institutes; (11) exportation, importation, or transmission of information or information materials; and (12) certain export transactions that may be considered for authorization under existing regulations and guidelines.
- Travelers in the 12 categories of travel to Cuba authorized by law will be able to make arrangements through any service provider that complies with the U.S. Treasury's Office of Foreign Assets Control (OFAC) regulations governing travel services to Cuba, and general licenses will authorize provision of such services.
- The policy changes make it easier for Americans to provide business training for private Cuban businesses and small farmers and provide other support for the growth of Cuba's nascent private sector. Additional options for promoting the growth of entrepreneurship and the private sector in Cuba will be explored.

Facilitating remittances to Cuba by U.S. persons

- Remittance levels will be raised from \$500 to \$2,000 per quarter for general donative remittances to Cuban nationals (except to certain officials of the government or the Communist party); and donative remittances for humanitarian projects, support for the Cuban people, and support for the development of private businesses in Cuba will no longer require a specific license.
- Remittance forwarders will no longer require a specific license.

Authorizing expanded commercial sales/exports from the United States of certain goods and services

- The expansion will seek to empower the nascent Cuban private sector. Items that will be authorized for export include certain building materials for private residential construction, goods for use by private sector Cuban entrepreneurs, and agricultural equipment for small farmers. This change will make it easier for Cuban citizens to have access to certain lower-priced goods to improve their living standards and gain greater economic independence from the state.

Authorizing American citizens to import additional goods from Cuba

- Licensed U.S. travelers to Cuba will be authorized to import \$400 worth of goods from Cuba, of which no more than \$100 can consist of tobacco products and alcohol combined

Facilitating authorized transactions between the United States and Cuba

- U.S. institutions will be permitted to open correspondent accounts at Cuban financial institutions to facilitate the processing of authorized transactions.
- The regulatory definition of the statutory term “cash in advance” will be revised to specify that it means “cash before transfer of title”; this will provide more efficient financing of authorized trade with Cuba.
- U.S. credit and debit cards will be permitted for use by travelers to Cuba.
- These measures will improve the speed, efficiency, and oversight of authorized payments between the United States and Cuba.

Initiating new efforts to increase Cubans’ access to communications and their ability to communicate freely

- Cuba has an internet penetration of about five percent—one of the lowest rates in the world. The cost of telecommunications in Cuba is exorbitantly high, while the services offered are extremely limited.
- The commercial export of certain items that will contribute to the ability of the Cuban people to communicate with people in the United States and the rest of the world will be authorized. This will include the commercial sale of certain consumer communications devices, related software, applications, hardware, and services, and items for the establishment and update of communications-related systems.
- Telecommunications providers will be allowed to establish the necessary mechanisms, including infrastructure, in Cuba to provide commercial telecommunications and internet services, which will improve telecommunications between the United States and Cuba.

Updating the application of Cuba sanctions in third countries

- U.S.-owned or -controlled entities in third countries will be generally licensed to provide services to, and engage in financial transactions with, Cuban individuals in third countries. In addition, general licenses will unblock the accounts at U.S. banks of Cuban nationals who have relocated outside of Cuba; permit U.S. persons to participate in third-

country professional meetings and conferences related to Cuba; and, allow foreign vessels to enter the United States after engaging in certain humanitarian trade with Cuba, among other measures.

* * * *

These changes announced by the President were implemented in the form of amendments to regulations administered by the Departments of Treasury (OFAC) and Commerce (BIS) and went into effect upon publication in the Federal Register on January 16, 2015.

Also in 2014, OFAC delisted one person, Pierre BOILEAU, whose property had been blocked pursuant to the Cuban Assets Control Regulations. 79 Fed. Reg. 51,651 (Aug. 29, 2014).

7. Restoration of Peace, Security, Stability

a. Yemen

The U.S. Department of State issued a fact sheet on UN Security Council Resolution 2140 on Yemen on February 26, 2014. As explained in the fact sheet, Resolution 2140 established a sanctions committee to target those threatening the peace, security, or stability of Yemen as it transitions from the autocratic reign of former President Saleh. The fact sheet appears below and is available at www.state.gov/r/pa/prs/ps/2014/02/222601.htm.

* * * *

On February 26, 2014, the UN Security Council adopted a resolution welcoming the conclusion of Yemen's historic National Dialogue Conference and reaffirming Council support for the implementation of subsequent stages in the country's political transition process. The Council emphasized the critical need to turn the page on the presidency of former President Saleh and called for a cessation of all actions meant to disrupt the political transition in Yemen.

With this resolution, the Council has taken a significant, forward-leaning step in setting up a sanctions committee, which will allow the Council to respond quickly with targeted sanctions against individuals engaging in or providing support for acts that threaten the peace, security or stability of Yemen.

Resolution 2140 continues the Council's active engagement on Yemen and reaffirms its support for Yemen's political transition on the basis of the Gulf Cooperation Council (GCC) Initiative and Implementation Mechanism, signed by the Yemenis on November 23, 2011.

Resolution 2140 welcomes the outcomes of the comprehensive National Dialogue Conference, which provide a road map for Yemen's continued democratic transition.

Resolution 2140 commends the leadership of President Hadi and the ongoing commitment of the people of Yemen to a peaceful and meaningful transition.

Resolution 2140 reaffirms the need for the full and timely implementation of Yemen's political transition, as outlined in the GCC Initiative and its implementation mechanism, including the drafting of a new constitution and the holding of a referendum on the draft constitution and, ultimately, national elections. It encourages all stakeholders to continue their constructive, nonviolent engagement in implementing the transition.

Resolution 2140 establishes a sanctions committee with a mandate to sanction individuals found to be engaging in or providing support for acts that threaten the peace, security or stability of Yemen. The committee will be supported by a four-person panel of UN experts who will compile information about those who may engage in or provide support for such acts.

* * * *

On November 10, 2014, OFAC designated three individuals pursuant to E.O. 13661, "Blocking Property of Persons Threatening the Peace, Security, or Stability of Yemen." 79 Fed. Reg. 68,507 (Nov. 17, 2014). For background on E.O. 13661, see *Digest 2012* at 530-31. The persons designated on November 10 are: former president Ali Abdullah SALEH, Huthi military commander Abd al-Khaliq AL-HUTHI, and the Huthi group's second in command Abdullah Yahya AL HAKIM.

b. South Sudan

On April 3, 2014, President Obama issued E.O. 13664, "Blocking Property of Certain Persons With Respect to South Sudan." 79 Fed. Reg. 19,281 (Apr. 7, 2014). The President issued the order based on the emergency presented by "the situation in and in relation to South Sudan, which has been marked by activities that threaten the peace, security, or stability of South Sudan and the surrounding region, including widespread violence and atrocities, human rights abuses, recruitment and use of child soldiers, attacks on peacekeepers, and obstruction of humanitarian operations." *Id.* Section 1 of the order defines the persons who may be designated by the Secretary of the Treasury, in consultation with the Secretary of State, such that their property is blocked.

On April 3, 2014, Ambassador Power delivered remarks on the situation in South Sudan, available at <http://usun.state.gov/briefing/statements/224389.htm>. In her remarks, which are excerpted below, Ambassador Power referred to the new executive order by President Obama imposing sanctions on those who threaten the peace in South Sudan.

* * * *

The United States is deeply disturbed that government and anti-government forces in South Sudan continue to violate the Cessation of Hostilities agreement, have failed to enter into an inclusive, political dialogue, and continue to jeopardize the security and economic stability of the people of South Sudan. In just over 100 days since this conflict began, the violence has forced one million people to flee their homes; millions more are in need of humanitarian assistance.

We condemn in the strongest possible terms the repeated attacks on and harassment of United Nations Mission in South Sudan (UNMISS) personnel. Attacks against UN personnel involved in humanitarian assistance or peacekeeping are unacceptable and the perpetrators must be held accountable. All parties should regard UNMISS sites as inviolable and the work of UNMISS personnel should be respected, supported and protected as they carry out their critical mission of protecting civilians and facilitating the delivery of humanitarian assistance to those in need.

Today, President Obama signed an Executive Order that will provide the U.S. government with a flexible tool for imposing targeted sanctions on any person, including Government of South Sudan officials and opposition leaders, determined to be responsible for threatening the peace in South Sudan, obstructing the Intergovernmental Authority for Development-led peace talks or reconciliation process, or responsible for the commission of human rights abuses in South Sudan. As this new E.O. clearly indicates, we firmly intend to hold accountable those bent on undermining a peaceful, political settlement of the crisis in South Sudan, and anyone who threatens the safety and well-being of civilians. We call on all parties to immediately halt the violence, meet their obligations under the Cessation of Hostilities agreement, and engage in inclusive, political dialogue.

* * * *

On May 6, 2014, when the United States designated two individuals pursuant to E.O. 13664, 79 Fed. Reg. 28,601 (May 16, 2014), Ambassador Power again addressed the subject of targeted U.S. sanctions against South Sudan at the United Nations. Her statement, excerpted below, is available in full at <http://usun.state.gov/briefing/statements/225686.htm>

* * * *

Today, the United States announced targeted sanctions on two South Sudanese whose actions, including the targeting of civilians and fomenting ethnic violence, are contributing to the mounting humanitarian and human rights catastrophe unfolding in South Sudan.

The measures taken against Marial Chanuong and Peter Gadet are only a first step and should serve as a clear warning to those in the Government of South Sudan and those who have taken up arms against it: the United States is determined to hold accountable those who choose violence. To that end, we will also seek in the United Nations Security Council to authorize targeted sanctions against those who continue to undermine South Sudan's stability.

President Salva Kiir and former Vice President Riek Machar have agreed to travel to Addis Ababa, Ethiopia for face-to-face talks. We strongly urge both leaders to live up to this commitment to meet and to implement the Cessation of Hostilities agreement they signed on January 23.

South Sudan's crisis has led to tens of thousands of deaths, driven over 1.2 million people from their homes, and brought the country to the brink of famine. It is long past time for South Sudan's political and military leaders to set aside their political and economic self-interests and begin to address the dire needs of their people.

* * * *

U.S. officials provided further information about the U.S. targeted sanctions against South Sudan in a background briefing held on May 6, 2014. Excerpts follow from the briefing, which is available at www.state.gov/r/pa/prs/ps/2014/05/225701.htm.

* * * *

...[T]he Treasury Department's Office of Foreign Asset Control has rolled out sanctions against two individuals who have been driving and directing the conflict in South Sudan. The individuals are a South Sudan anti-government force leader by the name of Peter Gadet and a commander within the South Sudanese Government's Presidential Guard by the name of Marial Chanuong.

...

Marial Chanuong, first, is, as I noted, the commander of the Presidential Guard for the South Sudanese Government, so he is reporting to President Salva Kiir. The Presidential Guard led the operations in Juba following the fighting that began on December 15th of 2013. And the second individual, Peter Gadet, who is fighting among the anti-government forces, is commanding a group of troops who were responsible for some of the horrific violence we saw just last month in Bentiu, the capital of Unity State in South Sudan.

Both of these individuals were sanctioned under the recently issued Executive Order by President Obama EO 13664, which allows us to target those responsible for or complicit in actions or policies that threaten the peace, security, or stability of South Sudan. That EO was signed by the President just last month on April 3rd, 2014. And it is a broad and flexible EO, which gives us the authority to target not just commanders but those directly engaged in violence and those who are providing material support to the forces that we see directing the violence, including those who are targeting UN peacekeepers or those delivering humanitarian supplies.

This new EO will be a critical new peace to our efforts to hold accountable those who obstruct the peace process and those responsible for violence against civilians. Today's actions are the first designations under this authority, and we expect them to serve as a warning to those engaged in continuing the cycle of violence that has already claimed thousands of lives in South Sudan since December 2013.

* * * *

On July 1, 2014, OFAC issued regulations implementing E.O. 13664. 79 Fed. Reg. 37,190 (July 1, 2014). On September 18, 2014, OFAC added two individuals, James Koang Chuol and Santino Deng Wol, to the list of South Sudan designations pursuant to E.O. 13664. 79 Fed. Reg. 61,133 (Oct. 9, 2014).

c. *Democratic Republic of the Congo*

Effective July 1, 2014, OFAC designated one entity pursuant to E.O. 13413, "Blocking Property of Certain Persons Contributing to the Conflict in the Democratic Republic of Congo": ALLIED DEMOCRATIC FORCES. 79 Fed. Reg. 39,065 (July 9, 2014).

On July 8, 2014, President Obama issued E.O. 13671, "Taking Additional Steps to Address the National Emergency With Respect to the Conflict in the Democratic Republic of the Congo." 79 Fed. Reg. 39,949 (July 10, 2014). The introductory paragraph to E.O. 13671 explains the circumstances leading to the order, which amends E.O. 13413:

in view of multiple United Nations Security Council Resolutions including, most recently, Resolution 2136 of January 30, 2014, and in light of the continuation of activities that threaten the peace, security, or stability of the Democratic Republic of the Congo and the surrounding region, including operations by armed groups, widespread violence and atrocities, human rights abuses, recruitment and use of child soldiers, attacks on peacekeepers, obstruction of humanitarian operations, and exploitation of natural resources to finance persons engaged in these activities...

d. *Central African Republic*

On May 10, 2014, after the UN Security Council's Central African Republic Sanctions Committee issued new sanctions designations, Ambassador Power delivered a statement on the designations at the UN. Her statement is available at <http://usun.state.gov/briefing/statements/225944.htm>, and includes the following:

The United States welcomes the decision by the United Nations Security Council's Central African Republic (CAR) Sanctions Committee to impose sanctions on three individuals in CAR. The Committee has designated CAR's former president Francois Bozize, Nourredine Adam, and Levy Yakete for their roles in furthering the crisis that has pushed the Central African Republic to the brink of catastrophe. We will continue to review additional designations of those responsible for undermining stability and tormenting the people of CAR.

Throughout the crisis in CAR, the Security Council has been united both in its repeated condemnations of the horrific violence that has seized the country as well as in its efforts to assist the transitional government courageously led by Catherine Samba-Panza. In three resolutions, the Security Council has worked to facilitate the delivery of humanitarian assistance, authorize the French and African-led MISCA stabilization forces currently in the country, stand up a UN peacekeeping operation, and impose sanctions.

On May 15, 2014, the President issued E.O. 13667, "Blocking Property of Certain Persons Contributing to the Conflict in the Central African Republic." 79 Fed. Reg. 28385 (May 15, 2014). The blocking sanctions authorized by the new executive order on CAR respond to:

the situation in and in relation to the Central African Republic, which has been marked by a breakdown of law and order, intersectorian tension, widespread violence and atrocities, and the pervasive, often forced recruitment and use of child soldiers, which threatens the peace, security, or stability of the Central African Republic and neighboring states, and which was addressed by the United Nations Security Council in Resolution 2121 of October 10, 2013, Resolution 2127 of December 5, 2013, and Resolution 2134 of January 28, 2014.

Id. Section 1 authorizes blocking sanctions on those listed in an annex to the order as well as those subsequently designated by the Secretary of the Treasury, in consultation with the Secretary of State, as having engaged in any of the listed activities that contribute to the crisis in CAR.

Effective July 7, 2014, OFAC issued CAR sanctions regulations implementing E.O. 13667. 79 Fed. Reg. 38,248 (July 7, 2014).

e. Côte d'Ivoire

On April 29, 2014, the Security Council adopted resolution 2153, extending the arms embargo and financial and travel restrictions against Côte d'Ivoire until April 30, 2015. U.N. Doc. S/RES/2153. Ambassador Jeffrey DeLaurentis, U.S. Alternate Representative to the United Nations for Special Political Affairs, delivered an explanation of the U.S. vote in favor of Resolution 2153 on Côte D'Ivoire, which is excerpted below and available at <http://usun.state.gov/briefing/statements/225353.htm>.

* * * *

Madame President, the United States voted in favor of this resolution because we fully support the renewal of these sanctions and the mandate of the UN's Group of Experts—both of which constitute an important part of the Council's effort to support peace and stability in Côte d'Ivoire.

We welcome the progress Côte d'Ivoire has made under the leadership of President Ouattara and his government. We also applaud the Ivoirian Government's achievement of the Kimberley Process Certification Scheme's minimum requirements, thereby allowing for the lifting of the embargo on the import of rough diamonds originating in Cote d'Ivoire.

Madame President, despite this progress, however, we note that the security situation in Côte d'Ivoire remains challenging as the country moves into its 2015 electoral cycle. This Council has expressed repeatedly the importance of significant security sector reform, effective demobilization and reintegration of ex-combatants, meaningful reconciliation, and equitable justice for crimes committed during the crisis.

In light of these challenges, the United States had advocated for a more gradual approach to adjusting the arms embargo. We recognize the Government of Côte d'Ivoire's need to build capable and professional security forces. We were concerned, however, by the findings in the Group of Experts report regarding inconsistent compliance with existing arms embargo

procedures. We therefore urge Côte d'Ivoire to tighten its control over arms and ammunition and to continue the important work of security sector reform.

We urge the Council to closely monitor developments on the ground. If the arms embargo modifications in this resolution have any negative repercussions on stability in Cote d'Ivoire, then the Council should be prepared to take appropriate action.

Madame President, Côte d'Ivoire is an important partner of the United States. We look forward to continuing to work with the government and people of Côte d'Ivoire to further the country's peace, stability, and prosperity.

* * * *

f. *Libya*

On March 19, 2014, the UN Security Council adopted Resolution 2146 on Libya, which authorizes sanctions relating to the theft of Libyan oil. Ambassador Power delivered the following U.S. statement on the resolution, available at <http://usun.state.gov/briefing/statements/223709.htm>.

* * * *

Libya is in the midst of a difficult political transition after more than 40 years of dictatorship. We stand with those working to build a brighter, democratic future for the Libyan people, and strongly support Libya's efforts to strengthen security, protect human rights, and grow the country's economy. Good stewardship of Libya's oil resources is critical to supporting Libya's successful democratic transition. Libya's oil revenue funds the vast majority of the country's budget, allowing the government to provide security, deliver basic services, and invest in the Libyan people. Theft of Libyan oil is theft from the Libyan people.

Today's resolution will make such theft much more difficult. This measure will allow the international community to impose sanctions on any vessels transporting crude oil without authorization. States are now required to prohibit transactions with respect to such oil on designated vessels. Designated vessels carrying unauthorized Libyan oil are now barred from using any bunkering services or ports. Member States are now authorized to take the necessary and appropriate measures to intervene and secure the return of designated vessels to Libya. These enforcement measures signal to the people and government of Libya that the international community supports Libya's sovereignty and its right to manage its own natural resources.

The United States supports Libyan efforts to address transparently and inclusively all matters of national concern. We urge all UN Member States to swiftly implement the provisions of this resolution in order to deter the actions of those who seek to steal Libyan oil.

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On September 11, 2014, OFAC unblocked the property of Dalene Sanders and removed her from the SDN list. 79 Fed. Reg. 55,869 (Sep. 17, 2014). Sanders had been sanctioned pursuant to E.O. 13566 due to links to a member of the Qadhafi family.

h. Balkans

Effective February 6, 2014, OFAC unblocked the property and interests in property of three individuals who had been subject to E.O. 13219, "Blocking Property of Persons Who Threaten International Stabilization Efforts in the Western Balkans," as amended by E.O. 13304 "Termination of Emergencies With Respect to Yugoslavia and Modification of Executive Order 13219 of June 26, 2001." 79 Fed. Reg. 7280 (Feb. 6, 2014).

i. Iraq

On April 29, 2014, OFAC determined that one individual and four entities whose property and interests in property were blocked pursuant to E.O. 13315, "Blocking Property of the Former Iraqi Regime, Its Senior Officials and Their Family Members, and Taking Certain Other Actions," should be delisted. 79 Fed. Reg. 28,601 (May 16, 2014). The persons whose names were removed from the SDN list and whose property was unblocked are: Kassim ABBAS, S.M.I. SEWING MACHINES ITALY S.P.A., EUROMAC TRANSPORTI INTERNATIONAL SRL, EUROMAC, LTD, and BAY INDUSTRIES, INC.

On May 19, 2014, President Obama continued for another year the national emergency declared with respect to Iraq in E.O. 13303, as modified and relied upon in E.O. 13315, E.O. 13350, E.O. 13364, and E.O. 13438. 79 Fed. Reg. 29,069 (May 21, 2014).

On May 27, 2014, President Obama issued E.O. 13668, "Ending Immunities Granted to the Development Fund for Iraq and Certain Other Iraqi Property and Interests in Property Pursuant to Executive Order 13303, as Amended." 79 Fed. Reg. 31,019 (May 29, 2014). The developments in Iraq that provide the basis for terminating the immunities of the Fund and other property in Iraq are summarized in the introductory paragraph of the order:

the situation that gave rise to the actions taken in Executive Order 13303 of May 22, 2003, to protect the Development Fund for Iraq and certain other property in which the Government of Iraq has an interest has been significantly altered. Recognizing the changed circumstances in Iraq, including the Government of Iraq's progress in resolving and managing the risk associated with outstanding debts and claims arising from actions of the previous regime, I hereby terminate the prohibitions contained in section 1 of Executive Order 13303 of May 22, 2003, as amended by Executive Order 13364 of November 29, 2004, on any attachment, judgment, decree, lien, execution, garnishment, or other judicial process with respect to the Development Fund for Iraq and Iraqi petroleum,

petroleum products, and interests therein, and the accounts, assets, investments, and other property owned by, belonging to, or held by, in the name of, on behalf of, or otherwise for, the Central Bank of Iraq. This action is not intended otherwise to affect the national emergency declared in Executive Order 13303 of May 22, 2003, as expanded in scope by Executive Order 13315 of August 28, 2003, which shall remain in place. This action is also not intended to affect immunities enjoyed by the Government of Iraq and its property under otherwise applicable law.

8. Reach of Sanctions for Organizations Providing Humanitarian Assistance

On October 17, 2014, OFAC issued guidance related to the provision of humanitarian assistance by not-for-profit non-governmental organizations. OFAC's guidance is excerpted below and available at www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/ngo_humanitarian.pdf.

* * * *

This memorandum is intended to clarify the reach of economic sanctions for those non-governmental organizations involved in the provision of humanitarian assistance. ... OFAC has long had a favorable specific licensing policy supporting the provision of humanitarian assistance notwithstanding economic sanctions, especially in countries subject to comprehensive economic sanctions. OFAC prioritizes requests for licenses to provide humanitarian assistance and endeavors to review such applications expeditiously.

The following guidance applies to transactions by non-governmental organizations that may implicate sanctioned persons or countries.

1. OFAC is fully supportive of the broader U.S. Government approach to facilitating humanitarian assistance. The President's imposition of economic sanctions against regimes or groups carrying out violence against innocent civilians is a complement to—and not in opposition to—the objectives of humanitarian assistance.

2. Consistent with U.S. foreign policy, OFAC issues general licenses where appropriate and prioritizes license applications, compliance questions, and other requests from non-governmental organizations seeking to provide humanitarian assistance.

3. Non-governmental organizations may provide humanitarian assistance in countries that are not subject to comprehensive sanctions (such as Yemen, Iraq, Somalia, South Sudan, or Côte d'Ivoire) without the need for a license from OFAC, so long as they are not dealing with persons blocked by sanctions, such as those listed on OFAC's Specially Designated Nationals and Blocked Persons List (SDNs) or any entity owned 50% or more by blocked persons.

4. Some areas may be dominated by armed groups under circumstances where the group's leaders have been designated by OFAC but the group as a whole has not been designated. An entity that is commanded or controlled by an individual designated by OFAC is not considered blocked by operation of law.

2 Thus, payments—including “taxes” or “access payments”—made to non-designated individuals or entities under the command or control of an SDN do not, in and of themselves, constitute prohibited activity. U.S. persons should employ due diligence, however, to ensure that an SDN is not, for example, profiting from such transactions.

5. In areas dominated by designated armed entities, for example those listed as Specially Designated Global Terrorists, U.S. persons should exercise caution not to provide financial, material, technological, or other services to or in support of the designated entity. In circumstances involving a dangerous and highly unstable environment combined with urgent humanitarian need, OFAC recognizes that some humanitarian assistance may unwittingly end up in the hands of members of a designated group. Such incidental benefits are not a focus for OFAC sanctions enforcement.

6. Finally, if a non-governmental organization is confronted with a situation in which, in order to provide urgently needed humanitarian assistance, the non-governmental organization learns that it must provide funds or material support directly or indirectly to an SDN group that is necessary and incidental to the provision of such humanitarian assistance, the non-governmental organization should reach out to OFAC directly. OFAC and its interagency partners will work with the non-governmental organization to address any such issues on a case-by-case basis in an expeditious manner.

* * * *

B. LITIGATION RELATING TO SANCTIONS

See Chapter 15.3.a. for a discussion of *Arab Bank v. Linde*, a case involving claims under the Antiterrorism Act of 1990 brought by victims of terrorism who allege that Arab Bank knowingly supported U.S.-designated foreign terrorist organizations.

C. EXPORT CONTROLS

1. General

On March 16, 2014, Vann Van Diepen, Principal Deputy Assistant Secretary of State for the Bureau of International Security and Nonproliferation (“ISN”), delivered opening remarks for the United States at the 14th International Export Control Conference, held in Dubai, United Arab Emirates. Mr. Van Diepen’s remarks are excerpted below and are also available at www.state.gov/t/isn/rls/rm/2014/223626.htm. Closing remarks for the United States at the conference were delivered on March 18, 2014 by Simon Limage, ISN Deputy Assistant Secretary of State for Nonproliferation Programs, and are available at www.state.gov/t/isn/rls/rm/2014/223627.htm.

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The theme of this conference is Strategic Trade Controls: From Foundations to Practice. So we'll talk about all the layers of a strategic trade control system, from the legal foundations of your export control laws, to the licensing practices and adherence to control lists, to industry outreach and buy-in for trade controls, to well-trained and well-equipped border guards and customs officials at the borders who can spot irregularities, to the cooperation with other countries, and within your own governments to share crucial targeting information.

I will briefly discuss three challenges in managing trade of strategic goods.

First, the size and velocity of legitimate trade is high and growing. In a global economy, sensitive items are produced by more and more companies around the world. And more small and medium enterprises inexperienced with international trading norms are considering entering the export marketplace. The same is true for distribution channels, which have also grown with the global economy. And containerized shipping has accelerated international trade through lower transportation costs and higher cargo load capacity.

Second, our task also is complicated by the increasing interest of proliferators in dual-use items, not just weapons and items only used in weapons. Especially as proliferators move toward indigenous production of weapons, they seek for use in those production programs items that also have equally legitimate commercial applications.

Many of these dual-use items have weapons applications significant enough to warrant control by the multilateral regimes.—the Nuclear Suppliers Group, the Missile Technology Control Regime, the Australia Group, and the Wassenaar Arrangement. In addition, however, proliferators seek items that fall just below the threshold of regime controls – in order to avoid those controls. They also seek items with no counterparts on regime lists -- such as basic chemicals, electronics, and structural materials -- that are key building blocks of weapons production programs, just as they are of any industrial activity.

This challenge of identifying and dealing with those relatively few listed and unlisted dual-use items intended for proliferation programs hiding in a sea of such items for legitimate uses requires catch-all authorities, information-sharing (both domestically and internationally), and industry outreach – all issues that we will be addressing over the next few days.

Third, we all face the challenge of improving our ability to search, seize, investigate and prosecute trade control law violations with minimal impact on the high volume of otherwise legitimate trade. Given that various UN Security Council Resolutions provide us the legal authority to search, seize, and dispose of a wide array of proliferation sensitive good to and from proliferant countries, we need to ask ourselves what types of targeting and enforcement mechanism will help us uncover violations? How can prosecutions help to deter future proliferators? How can states provide incentives to their enforcement personnel to uncover illicit diversions, without fear that those enforcement personnel will unduly hamper legitimate trade? Without proper regulation of transshipment activities, transshipment hubs will continue to be the prime target for this kind of proliferation- related trade. These circumstances compel regulators and enforcement agencies to find technically feasible and economically viable ways to fight back.

Common Obligations

We have to build a network of non-proliferators to counter the threat to national security and global trade from rogue state and non-state actors. This is a challenge that no one nation can solve on its own. We all share a responsibility for global security and economic prosperity; therefore we are all part of this network.

We have common international obligations to help meet these threats. Through the Non-Proliferation Treaty, UN Security Council Resolution 1540, the nonproliferation and terrorism sanction resolutions, the multilateral control regimes, the World Customs Organization (WCO), and the Proliferation Security Initiative (PSI), the international community has adopted a strengthened system to counter these threats.

This is further strengthened by the valuable outreach efforts of these organizations and initiatives. ...

The Nuclear Suppliers Group, the Missile Technology Control Regime, the Australia Group, and the Wassenaar Arrangement contain international suppliers' standards for implementing nonproliferation export controls. Their control lists are referred to in UNSCR 1540. In many cases the regimes' control lists are also incorporated into other UN Security Council resolutions, such as those concerning Iran and North Korea. These resolutions create specific obligatory limits on commerce with countries, individuals, and entities that have engaged in proliferation.

UN Security Council Resolutions provide a legal basis for countries to undertake measures within their territories to search, seize, and dispose of a wide array of proliferation sensitive goods moving in or out of proliferant countries. Since the adoption of UNSCR 1540 in 2004, I am pleased to note that many of the countries represented in this room have made progress in meeting their 1540 obligations with respect to developing strategic trade controls.

* * * *

2. Resolution of Export Control Violations

a. Esterline Technologies Corporation

On March 6, 2014, the State Department announced the conclusion of an administrative settlement with Esterline Technologies Corporation of Bellevue, Washington. Due to Esterline's cooperation in reaching the settlement, the Department determined that administrative debarment was not appropriate. A Department media note, available at www.state.gov/r/pa/prs/ps/2014/03/223052.htm, summarizes the agreement reached to address violations of the Arms Export Control Act ("AECA") (22 U.S.C. § 2778) and the International Traffic in Arms Regulations ("ITAR") (22 C.F.R. parts 120-130), including the payment of a \$20 million civil penalty:

... Over the course of many years, Esterline and its operating divisions, subsidiaries, and business units disclosed to the Department hundreds of alleged AECA and ITAR violations consisting of unauthorized exports of defense articles, including technical data, and defense services; unauthorized temporary imports of defense articles; violations of terms and conditions of licenses or approvals granted; exports of defense articles in excess of quantity and value authorized; improper use of exemptions; and failure to file or filing of incorrect documentation with the Automated Export System.

...[M]any of these alleged violations occurred because Esterline did not properly establish jurisdiction over its defense articles and technical data, did not properly administer licenses and agreements, and had incomplete or poor recordkeeping. The alleged violations involved defense articles, technical data, and defense services that are or were controlled at the time of the alleged violations by the U.S. Munitions List ...

Under the terms of a three year Consent Agreement with the Department, Esterline will pay a civil penalty of \$20 million. The Department agreed to suspend \$10 million of this amount on the condition the Department approves expenditures for self-initiated, pre-Consent Agreement remedial compliance measures and Consent Agreement-authorized remedial compliance costs. Additionally, Esterline will engage a Special Compliance Official to oversee the Consent Agreement, and Esterline will conduct two audits of its compliance program as well as implement additional compliance measures, such as improved policies and procedures, and additional training for employees and principals.

b. *Intersil*

On June 18, 2014, the State Department announced that it reached an administrative settlement agreement resolving alleged AECA and ITAR violations by Intersil Corporation of California. See Department media note, available at www.state.gov/r/pa/prs/ps/2014/06/227845.htm. Due to Intersil's cooperation, administrative debarment was deemed inappropriate in this case. The media note provides further details regarding the findings of the compliance review and details of the settlement:

DDTC's compliance review concluded that many of these alleged violations occurred because Intersil did not properly establish ITAR jurisdiction over its radiation hardened and tolerant integrated circuit commodities. These commodities are defense articles controlled on the U.S. Munitions List under Category XV(d) and (e). Certain commodities were exported, re-exported, or retransferred to entities on DDTC's Watch List. Some of these entities were known front companies for or diversion points to countries proscribed under ITAR Section 126.1. These transactions were contrary to U.S. foreign policy and potentially harmed U.S. national security.

Under the terms of a two year Consent Agreement with the Department, Intersil will pay a civil penalty of \$10 million. The Department agreed to suspend \$4 million of the penalty amount on the condition the Department approves expenditures for self-initiated, pre-Consent Agreement remedial compliance measures and Consent Agreement-authorized remedial compliance costs. Additionally, Intersil will establish an Internal Special Compliance Official position

at the company to oversee the Consent Agreement, and Intersil will conduct two audits of its compliance program as well as implement additional compliance measures, such as improved policies and procedures, and additional training for employees and principals.

c. *Debarment*

On June 4, 2014, the State Department administratively debarred Carlos Dominguez and his companies, Elint, S.A., Spain Night Vision, S.A. and SNV, S.A., for a period of three years after a default order on charges of violating the AECA and ITAR in relation to the unauthorized re-export and retransfer of night vision devices and related technical data. 79 Fed. Reg. 35,210 (June 19, 2014).

2. Export Control Reform

In 2014, the U.S. Government continued to issue new rules to carry out extensive export control reforms. See *Digest 2013* at 515-16 for a discussion of the initial sets of new rules reforming U.S. export controls. On January 2, 2014, the Department of State issued a final rule, effective July 1, 2014, amending the International Traffic in Arms Regulations (“ITAR”) to revise five more U.S. Munitions List (“USML”) categories and provide other changes. 79 Fed. Reg. 34 (Jan. 2, 2014). As described in the Federal Register notice:

Pursuant to the President’s Export Control Reform (ECR) initiative, the Department published proposed revisions to thirteen USML categories—and upon the effective date of this rule will have revised fifteen USML categories—to create a more positive control list and eliminate, where possible, “catch all” controls in the USML.

Cross References

Visa restrictions and limitations, **Chapter 1.C.4.**

Foreign terrorist organizations, **Chapter 3.B.1.d.**

Institutions of primary money laundering concern, **Chapter 3.B.4.**

Organized crime, **Chapter 3.B.5.**

Designations under the International Religious Freedom Act, **Chapter 6.L.1.a.**

Attachment of blocked assets, **Chapter 10.A.4.**

Arab Bank v. Linde, **Chapter 15.3.a.**

Central African Republic, **Chapter 17.B.4.**

South Sudan, **Chapter 17.B.6.**

Iran, **Chapter 19.B.10.b.**

Russia/Ukraine, **Chapter 19.B.10.c.**

Implementation of UNSCR 1540, **Chapter 19.C.**